



# **POLICY BRIEF**

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## **BUILDING ON "NEW REPUTATIONS"**

By Fathallah Oualalou

## Building on « New Reputations »

Reputation, a key concept, if any, is an indicator of the esteem granted to a natural person but also to a company or a state entity. Consisting of a sum of perceptions, it is the overall outcome of a set of images, appreciations of actions and behaviors. Thus, the good reputation of a government is determined and measured by its ability to cope with the hardships that the country is going through, to face the upheavals that shake it and to manage the end of crises. At the level of international relations - especially in this phase of advanced globalization - a country's reputation gives an image of its ability to be recognized within its region, and even beyond, and to adapt to the upheavals of globalization.

In view of its magnitude, the Covid-19 crisis, which occurred at the end of the second decade of the century, reflects the vulnerability of this globalization. Coming after the geopolitical shock of September 11, 2001, and the economic crisis of 2008, it has unveiled the uncertainty and unpredictability of today's world, which has now become a reality. It has also compelled public authorities to choose to save human lives – imposing the confinement of more than 4 billion people – at the expense of the economy, which has collapsed, and that we must now help to recover. As a result, governments are today active on several fronts at the same time: the health front alongside the requirements of social protection for all, and the economic front to boost the machine.

Hence, all countries, regardless of their level of development or the way their political and economic systems function, have been dumbfounded. The Covid-19 crisis thus signals a breach, if not a divide, in the evolution of the world. The world of tomorrow will undoubtedly be different from the pre-Coronavirus world.

A parallel could be drawn between the World War II and this health crisis. These two « outbreaks » have triggered the acceleration of trends in the making as a result of their occurrence, those trends of the post-World War I period for the first outbreak, and those that emerged with the birth of the 21st century for the second outbreak.

However, while the end of World War II allowed the two major victors of the moment, the USA and the USSR, to determine the geopolitical governance of the world (UN) on the one hand, and the United States, with Western Europe in their wake, to frame the global geo-economy (IMF, World Bank, WTO) on the other hand, the post-2020 world will be marked by the uncertainties in which it has been plunged since the end of the Cold War and the collapse of the Soviet system. As a matter of fact, throughout the 1980s and 1990s, the United States had imposed its hyper-hegemony to create a unipolar world both economically and geopolitically, but with the rise of China and the exacerbation of commercial and now health tensions between these two giants, new antagonisms emerged and a new bipolar world was born.

Because of the solid reputations acquired during the 39-45 war, the United States and the USSR were able to bring their full weight to bear on the course of the world throughout the second half of the twentieth century. This double hegemony was however thwarted by the occurrence of geopolitical and economic events: for the USSR, it was the Hungarian protests of 1956 and the Czechoslovak protests of 1968, the impact of the

ideological conflict with the People's Republic of China during the 1960s, the failure of its intervention in Afghanistan in the 1980s, until the disappearance of the Soviet Union in 1990. The United States, for its part, was shaken by the effects of the Vietnam War in the 1960s-1970s and the oil shocks of 1973 and 1979, by the echo of the 1979 Iranian Islamic revolution and the monetary decisions of President Nixon in 1971, ... then, later, by the shock of the 9/11 attacks, the 2008 crisis, and by the new trade tensions with China, Mexico and Europe.

The health and economic crisis of 2020, whose epicenter shifted from China, first to Europe, then to Russia, the United States and Brazil, has been – and still is – a major test for the entire world. Responses to the Coronavirus were so different from one country to the next, and some countries have become benchmarks today thanks to the efficiency of their actions. As a result, the reputation thus acquired gives them a new credibility that enables them to strengthen their position in their regional environment (Germany) and/or in the process of construction of a new form of multilateralism that is still in the making. In this context, the United States, China, and Europe are waging a real battle to discover the vaccine and/or anti-Covid-19 treatment that will allow them, while saving the world, to build and/or improve their reputation.

The attitude of Presidents Trump and Bolsonaro, who consider the World Health Organization (WHO) to be China's accomplice in the management of the Coronavirus crisis, is causing multilateralism to falter at a sensitive moment in world history. This multilateralism has already been destabilized by the withdrawal of the United States from UNESCO, the Paris agreement on global warming and the nuclear agreement with Iran, and by its alignment with the systematic colonization policy carried out by Israel.

The major programs intended to safeguard and revitalize the economies, supported by the G20, will have a definite impact on the post-Covid-19 world. Everywhere, the aim is to help the unemployed, the informal economy and, of course, the economic sectors affected by the consequences of lockdown measures (industry, SMEs, air transport, tourism, catering, etc.). According to a McKinsey study, government bailouts will amount to \$10 trillion, three times more than the stimulus packages implemented in the aftermath of the 2008 crisis (Western Europe alone will have to allocate \$4 trillion to them, or the equivalent of 30 times the credits of the Marshall Plan), to which must be added the amounts injected by the central banks to repurchase public bonds.

Drawing lessons from the management of the 2008 crisis, governments would like to see current stimulus programs go beyond mere quantitative measures and be linked to qualitative choices around:

- promoting the green economy, and, therefore, encouraging an innovative and low carbon recovery;
- accelerating digitization and the contribution of artificial intelligence in the economic activities with all the consequences that this may have on the reform of human resources training;
- adapting to the disruptions caused by the health crisis in supply chains and, therefore, giving more attention to the issue of national self-sufficiency, encouraging local production and reducing the risks of dependency in the production of essential goods (health, food production, technology, etc.).

## **Seven project areas, seven major issues**

The disruption created by the health crisis will bring all countries to tackle seven major issues in the short and then long term:

### **1. FUNDING FOR RESCUE AND RECOVERY PROGRAMS**

In the weeks to come, governments will go into massive debt to finance their health rescue and economic recovery plans. In developed and emerging countries, central banks have already “monetized” the bulk of public debt. Similarly, the EU has established a consensus to pool the debt of its member states.

To help poor and developing countries to manage their debts incurred due to the constraints of the Covid-19 crisis, an international consultation – under the leadership of the G20 in association with the IMF and the World Bank, for example – could prove necessary. Such solidarity-based intervention, which is essential to find a solution to this unexpected but exceptional indebtedness, will give the international community real credibility in the management of international financing. Jacques Attali, in his book “Will we all be ruined in ten years? The public debt: a last chance” - Fayard, had already in 2010, proposed the implementation of a “global architecture” for debt management. He deserves a lot of credit.

### **2. TOWARDS A NEW BIPOLARIZATION**

The Covid-19 crisis will confirm the establishment of a new bipolarization of the world around the antagonism between the United States and China. The trade-related tension between them since 2017 has been exacerbated by the health war between them. If American supremacy remains real, especially on the strategic level, China is designing, through its initiative “The Belt and the Road”, an instrument of influence over Asia, Africa and Europe. In the future, the great Sino-American competition will increasingly focus on digital technology, as it is demonstrated by the current tension around the 5G.

### **3. THE GROWING IMPACT OF NEW TECHNOLOGIES**

Since the beginning of the century, digitization and AI have become the backbone of the new technological revolution led by GAFAM and BATX, but also by the roboticization of production. The health crisis and containment measures have given a remarkable impetus to the instruments of this revolution thanks to the great progress made by teleworking and the organization of all forms of remote contacts (videoconferencing, educational, media and artistic activities). Throughout the world, reforms of education and training systems now include the use of these technologies, which have become major instruments of human activities, particularly in the field of economics and data transmission.

### **4. INTEREST FOR PROXIMITY AND REGIONALIZATION**

Since the 1950s, the progress of globalization has facilitated the emergence of hubs of regional solidarity, in Europe, North America or even between the different Asian countries. Regional alliances and groupings have been formed around trade, community policies or industrial interdependencies. However, the logic of creeping globalization has

widened the sphere of free trade, thus facilitating the extension of value chains that have become global and, consequently, a process of industrial relocation, particularly in Asia. The Covid-19 crisis has broken these value chains. It has revealed the dependence of countries on remote areas. In the United States, in Europe and even in Japan, voices are rising today calling for the relocation/repatriation of strategic industrial activities: drugs, masks, automotive equipment, etc. This growing awareness is in favor of proximity and regionalization. Such relocation would contribute to decarbonization, by reducing the cost of distances.

It will be in the interest of Europe to organize the relocation process within Europe, while associating the neighboring areas in the south: the Mediterranean and Africa. Rather than relocation, we must promote a re-regionalization as proposed by Hubert Védrine, former French Minister of Foreign Affairs.

## **5. TOWARDS THE ADVENT OF A RENEWED MULTIPOLARITY AND MULTILATERALISM**

The post-war period has given rise to a bipolar world dominated, on the one hand, by the economic and political pluralism of the West under American leadership and, on the other hand, by a centralized system led by the USSR. The demise of the Soviet Union, the exhaustion of the northern Western economies and the rise of China have reshuffled the cards. The 2008 crisis led to the creation of a G20 enlarged to include emerging countries, a G20 that was to replace the G7 in the management of the major challenges of the world economy. These are the premises of a multipolar world in genesis. The crisis of 2020 has accelerated this trend and prompted the strengthening of regionalization. Asian countries are continuing to move closer together. EU countries are giving new impetus to European integration despite the British withdrawal. While the crisis of 2008 had fed populism and facilitated the retreat of multilateralism, the crisis of 2020 should generate more international cooperation on health and environmental issues, despite some skeptical minds here and there. This would, finally, safeguard (save?) multilateralism, renovate it and create the conditions for more equilibrium, which can lead to the emergence of multipolarity. Against this background, it is in Europe's interest to strengthen its economic, political and strategic integration and to reach out to Africa in order to build, with it, a new hub facing North America and Asia, thus establishing a new centrality for the Mediterranean. It is, in fact, through multipolarity that the world system could move towards greater sharing and equilibrium.

## **6. THE NECESSARY MANAGEMENT OF « COMMON GOODS »**

The Covid-19 crisis has compelled public policies to return to the orthodox norms of macroeconomics. The mobilization of health and economic rescue programs has resulted in overstepping the conventional budgetary rules in terms of deficit (3% of GDP) and public debt (60% of GDP). The Keynesian theory, which has been challenged since the 1980s by neo-liberalism, has been rehabilitated under the pressure of new constraints. Central banks in developed countries have also suspended their traditional interventions to support recovery plans and buy back public bonds. But this return to Keynesianism is more qualitative. It must be reflected in the interest granted by governments to the management of "common goods" and long-term prospects, which concerns the future of humanity, particularly in the health, social, educational, and environmental fields. Thus, the new ordeal the world is going through will open opportunities to redirect

public policies in the service of these common goods. Health, education, equity, and the environment: Fighting the same battle. This will certainly imply the introduction of new categories of analysis into the scientific sphere of political economy, which can no longer be based only on the short term, or on the exclusive search for productivity and profits at all costs. From now on, it will have to meet new requirements such as the protection of human health and the safeguarding of the environment. The search for efficiency does not exclude the search for equity.

## 7. THE PROBLEM OF INEQUITY

All indicators are showing that the acceleration of globalization, driven by the hyper-hegemony of neoliberal recipes since the 1980s, has produced an exacerbation of asymmetries between and within countries (north-south). Through its financial abuses, the 2008 crisis has revealed its true origins, linked to inequality within societies in terms of distribution of wealth and income.

The health crisis has highlighted new aspects of this inequity. All over the world, the victims of the epidemic belong predominantly to the most fragile and marginal spheres in terms of wealth and income distribution. In the United States, the country with the largest number of victims, more than a third of the deceased belong to the black community, which represents only 13% of the total population. In this country, the frustrations resulting from the lockdown have been amplified by a sense of discontent related to the greatest expression of inequity: racism. The Floyd Gorge affair has triggered a worldwide surge of support for the “Black Lives Matter” movement, shaking societies in developed countries from the United States to Europe to remind them, perhaps, of the colonial origins of inequity. As for the Covid-19, are we going to witness a disconnection, even partial, between the pre- and the post-Floyd Gorge incident? We should hope so.

The convergence of all these shock waves in this exceptional moment in the history of humanity means that actions for more health, more equality, more respect for the environment follow the same logic and call for the renewal of development models and the promotion of a balanced and more humane world. It is vital to respond to what François Perroux had called, as early as the 1960s, “The costs of man”.

### **Morocco, Covid-19: Building on « good reputation »**

The Covid-19 crisis is a challenge and, like any challenge, it also offers a great opportunity. Morocco was certainly among the developing countries that best managed the consequences of the pandemic. A real battle was waged, with the support of the entire population confident in the action taken by the government. It is now time for the country to build on the good reputation it has acquired to negotiate the post-Covid-19 shift. The implementation of a new development model will certainly be enriched by the lessons to be learned from this health crisis and the consequences of the lockdown. In Morocco, the search for efficiency must, as everywhere else in the world, be based on an approach of solidarity. Above all, building on the reputation acquired must lead the country to improve its ability to cope with the expected upheavals of globalization through three directions:

1. Contribute to the promotion of a new regional hub that would bring together Africa and Europe and give a new dynamic centrality to the Mediterranean. To do so, Morocco

will have to improve its attractiveness to take advantage of the relocation and re-regionalization of economic activities.

Despite geopolitical constraints, Morocco will never give up the Maghreb project, which is necessary today for the countries of the region, but also for Africa, Europe, and the Mediterranean. This regional dynamic must be based on the renewal of the Euro-Mediterranean partnership, which must go beyond its own limits and open up to a logic of co-production and joint management of development-migration-security issues. This will enable Europe, given its technological breakthrough, and Africa, with its demographic potential and cultural contribution, to participate in the creation of a new AME hub within the framework of a better shared multipolarity.

Morocco must continue to strengthen its African roots by consolidating its actions in favor of food development (thanks to phosphates), electrification, and diversification of the productive fabric and contribute to promoting the African Continental Free Trade Area (AfCFTA). Thanks to the Royal initiatives, Morocco has been able to link the management of the health crisis to a South-South partnership approach with Sub-Saharan countries.

**2.** Open up to distant areas in order to diversify foreign trade with the two Americas: North America, the world's leading economic and geopolitical power, and South America, within the framework of a strategic Europe-Africa-Latin America triangle, and with Asia and all its components, taking into account the essential role of China, which is proposing to our region to cooperate with its « Belt and Road » initiative.

**3.** Manage skillfully the relationships with close and remote areas to enable Morocco to join the dynamics of the technological revolution of the twenty-first century, represented by digitization and AI, in connection with the advent of a new development model and the implementation of necessary reforms in education and training.

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## About the author, **Fathallah Oualalou**

Fathallah Oualalou is an economist, Senior Fellow at the Policy Center for the New South. He obtained his PhD in economics from the University of Paris in 1968. Prior to joining the Policy Center for the New South, he served as a professor at Mohammed V University in Rabat and other higher education institutions in Morocco, and as an associate professor at several foreign universities. He is the author of numerous books and articles in the fields of economic theory, financial economics, international economic relations, the economies of Maghreb countries, the Arab world, and the Euro-Mediterranean area. In addition, he was the president of the Association of Moroccan Economists at the Union of Arab Economists.

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### Policy Center for the New South

Suncity Complex, Building C, Av. Addolb, Albortokal Street,  
Hay Riad, Rabat, Maroc.

Email : [contact@policycenter.ma](mailto:contact@policycenter.ma)

Phone : +212 (0) 537 54 04 04 / Fax : +212 (0) 537 71 31 54

Website : [www.policycenter.ma](http://www.policycenter.ma)

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