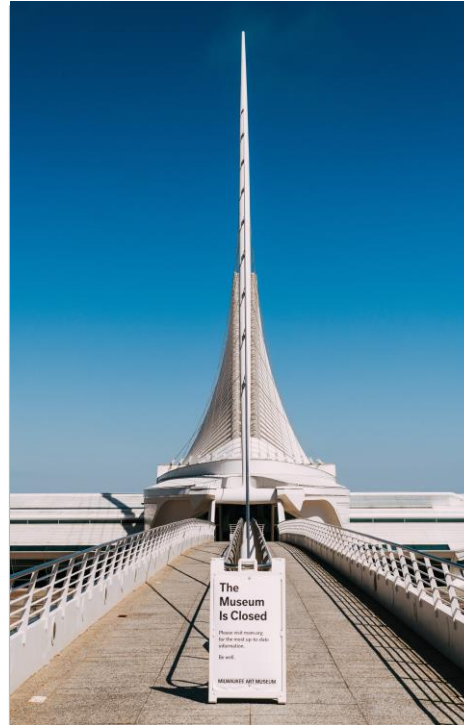


AFTERMATH



Multinational Prospects in a Post-Pandemic World

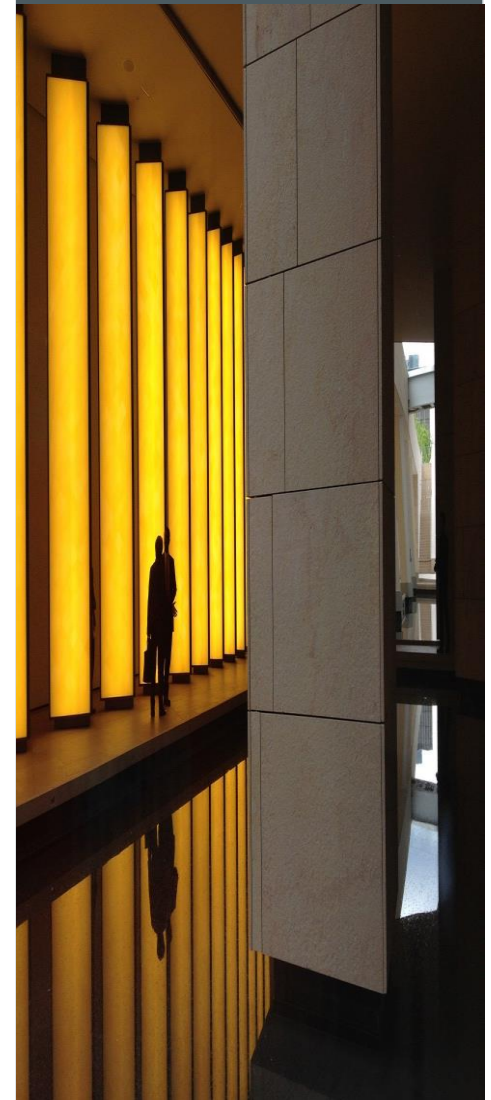


Confidential
Preliminary Draft Report

**The Federation
of International
Employers (FedEE)**

**Published by
FedEE International Inc
TYA2020/7684/AA#**

April 27th 2020





AFTERMATH

Preface

Robin Chater: FedEE Secretary-General

Back on June 24th 2019, I chaired a meeting of FedEE Member organisations in Central London. This was a regular round table session giving Members the opportunity to exchange views about important employment-related issues facing multinational enterprises.

As was my practice, I presented my own choice of subject to stimulate discussion. For once, however, my choice bombed. This was because I was seeking to warn those present that they could well soon be faced with a global catastrophe and asked if any of those present had contingency plans to deal with major unexpected circumstances. My principal candidate for the next global emergency was a viral pandemic.

Disclaimer and Copyright

The information contained in this document is based on FedEE research and is not prescriptive. Our estimates and projections are provided in good faith and rely significantly upon a number of key theoretical assumptions. The contents of the report do not constitute legal, financial or economic advice and are not intended to be complete or exhaustive. Users should seek specific professional advice before taking, or refraining from taking, any action whatsoever.

In no event shall The Federation of International Employers (FedEE) or our associates be liable for any damage or loss, direct or indirect, whether in an action of contract, negligence or other tort arising out of, or in connection with, the use of this document or any of the information contained herein.

The views of the FedEE Secretariat and Secretary-General do not necessarily reflect those of the Federation, its Members, Board or any associated corporate entity

Copyright: The Federation of International Employers (FedEE) 2020
Adam House, 7-10 Adam Street, The Strand, London WC2N6AA, UK

All Worldwide Rights Reserved
Website: <https://www.fedee.com>

Preface

Just one organisation of those represented around the table had such a plan - and that was an American Bank. For the rest, the prospect of such an event seemed largely irrelevant. In my travels subsequent to that meeting I found a similar response. Such an eventuality was seen, if at all, as a long way off - and nothing compared to setting up a new parental leave policy or dealing with GDPR. It was a non-starter, was beyond the everyday radar, and a waste of precious time to think about.

The experience of this took me back to a conversation I had with a woman I vaguely knew at a service station, back in September 2006. She told me how she spent her days playing the stock market online and making money "so easily". "I guess it is now my job" she said proudly. Some job indeed for an untrained farmer's wife - but perhaps a nice diversion from tending crops. What I did then was go straight back home and call my broker. I sold every share I had. If making money was that easy for someone so untrained and inexperienced, I reasoned, then there must be something very wrong with the economy. I had to wait for over a year to see the wisdom of my decision - but I had seen the future in a moment and it was a frightening sight.

However bad things were during the run up to the last recession, they fall far short of the situation we all face now. In this report FedEE outlines how we see the future in all its nightmare glory. As I contemplate it I am reminded of that line from the film "Usual Suspects" - that "the greatest trick the devil ever played was convincing the world he did not exist".

This report is disturbing enough without the consequences we outline. In publishing it we are certainly not trying to "cry wolf". The threats we describe are very real and the possible outcomes entirely logical and based on extensive research. They will, unfortunately, not be taken seriously again because, to do so, would be to accept that since the 15th of August 1971 the World has been living a lie - trading in its soul for a Faustian pact to obtain higher living standards and amass a kind of wealth.

Of course, the option is always open for governments and international lenders to look the other way. No one wants to confront the mess we have let governments create. So perhaps a new fiction can be created, a gloss put on insurmountable debt and the whole doleful dance trip on for a few years yet.

Robin Chater

Secretary-General: FedEE

Contents

1. Uncertain origins, desperate reactions

1. Uncertain origins, desperate reactions

Whilst no past experience could have prepared us for the present crisis, there was also a dangerous complacency in the World back in January 2020, that certainly made the situation worse. US hostility towards China also led to criticism and accusations of either heavy handedness or incompetence by the Chinese authorities. In fact, neither were strictly true, and the criticism actually served to leave China alone to deal with a situation that, with help from the rest of the World, it could have contained quite quickly. As it was, the virus spread across China and then appeared to be moving abroad.

In spite of the World's hostility, the Chinese authorities were quick to release the DNA structure of the virus. By the speed of their reaction, many governments and commercial laboratories were surprisingly able to announce they were working on treatments, or a vaccine. Thus, although the public had been complacent about such a threat, scientists were not.

Although South Korea and Australia rapidly introduced travel restrictions and internal measures to combat the spread of the virus, many western countries - such as the UK and USA - reacted too little and far too late. There was even an implicit policy of "herd immunity" which accepted that many of the population would contract the virus and thereby build up immunity to it. In fact, forecasts by the German Chancellor, UK Prime Minister (who later joined the herd) and Californian Governor all assumed that the virus would infect the majority of the population.

There is much speculation about where the COVID-19 virus originated and there were originally arguments that it arose from a wild animal market in Wuhan, China. There is sufficient evidence now to discredit that theory, but subsequent theories have attempted to attribute the outbreak to a biological laboratory in Wuhan that was working on bat diseases. Another fairly credible theory attributes the virus to a now closed biological warfare laboratory in Maryland, USA. The virus having travelled to Wuhan, China with a group of US soldiers taking part in a war gaming exercise during October 2019. In yet another complicating report, there were suggestions of a mysterious COVID-19 like disease in northern Italy before the Wuhan outbreak.

There are always numerous conspiracy theories doing the rounds when a major disaster strikes. If they have any foundation, they could, of course, all be part of a single pattern - with the actual source yet undiscovered. Or they could, of course, very well all be false. Certainly, if there was any intention by any party to use a designer-virus as a weapon, the correct theory that suggested its source would be the one most heavily declared a "conspiracy theory" to heavily discredit it.

Contents

1. Uncertain origins, desperate reactions

There are also question marks over the sharp difference between claimed mortality levels in China and the rest of the World and even greater questions about how suddenly new cases abruptly ceased in China (apart from cases attributed to "foreigners") during mid-April. It was reported that even in early April the highest number of cases was to be found along the northern border with Russia, yet this was a border that had been officially sealed from late January. How could cases persist there if there was no ongoing contact? And what does this say about the discipline inherent in China's command economy? Moreover, if true, then Russia may be experiencing much more seriously from the pandemic than it claims.

It is, of course, possible that the virus did not necessarily originate in Wuhan, but was something that had passed across the divide between bats and humans in several locations, after first mutating into its virulent form in bats. Bat hunting, for instance, for consumption of "bushmeat" and for use in primitive medicine, is widespread across much of Africa, Asia, the islands of Oceania and in some parts of Latin America. Their consumption is far more common, for instance, in Madagascar than China. It could thus have been already well established in the human population at several points when it was first correctly identified in Wuhan. What this pandemic has clearly revealed is that when patients die of any type of flu/pneumonia-like or coronaviral infection anywhere in the World there is no routine blood test to determine the exact cause of death. Doctors simply describe the cause as having a "respiratory" cause. Moreover, even if a test was made of those deceased, it would need to have had COVID-19 on its diagnostic spectrum for it to be attributed. If the virus was not known, and there was no test for it, then it could not have been set down as a cause for death.

Moreover, many people who die of viruses in the influenza family often do so essentially because of secondary infections that arise because the sufferer's immune system is weakened. That secondary infection is not confined to a bacteria, but could just as readily be from one or more further viruses. The statistical pattern of deaths since the outbreak of the current pandemic suggests that COVID-19 often acts as part of a cocktail of infection to cause death. This could well have been the case for some months or even years - but is now only being isolated as the principal cause.

One reason for great concern is the huge underestimate of mortality there has been in respect to influenza. For instance, Public Health England (PHE) has claimed that there were 17,000 people, on average, dying from influenza each year between 2014 and 2019. One characteristic of this period was re-emergence of the particularly lethal A(H3N2) flu virus strain. However, although 17,000 appears to be a substantial number, it falls far short of the true mortality rate.

Contents

1. Uncertain origins, desperate reactions

If we take the middle of the PHE range then we can see from figures produced by UK Clinical Commissioning Groups for 2016 that deaths due to causes that included flu or pneumonia (1) **for men** aged 65+ alone was 41,464 in that year. We estimate total annual deaths for both genders and ages in the UK due to those causes alone to be over 150,000 - with children and pregnant women being particularly vulnerable. Flu, like COVID-19, also particularly spreads rapidly through elder-care homes.

One of the principal countries in Europe struck by the virus in late February 2020 was France. However, the virus arrived on the back of a severe - and largely unreported - flu epidemic that had reached its peak in mid-February 2020. The coincidence of both viruses was perhaps why COVID-19 appeared to spread so quickly across France. But what was spreading most quickly was press coverage, not necessarily the novel virus.

Because medical standards vary so much across the World, and many tests are inaccurate, there is a further huge barrier to the determination of how many people are dying principally from COVID-19. Furthermore, when doctors talk about pre-existing medical conditions it is difficult to know if they are referring to heart disease or diabetes - or because the patient already had a viral illness. Certainly, those dying in a clinical environment may well be doing so in greater numbers because of high exposure to medical staff who are carriers of other diseases. PPE equipment provides some protection, but not when people are regularly in close proximity with each other.

Even when a vaccine is eventually developed it will take many months - if not a year or more - to vaccinate the global population and there will always remain many people in the third world who are not vaccinated at all. We anticipate that a huge number of cases will go unreported across Africa, Latin America, Indonesia and India - only to be enumerated at a later date. Of course, because of the viruses rapid mutation and high level of contagiousness annual vaccination will be necessary. As with influenza, even this will not give 100% protection and further epidemics are likely to arise each Winter. It is likely that the World will never truly be free of COVID-19 in the same way as it will never been free from influenza, yellow fever, West Nile disease, dengue, TB, HIV/AIDS, measles, SARS, MERS, MRSA, meningitis, syphilis, tetanus, typhoid, plague, pertussis, leprosy, pneumonia, cholera, rabies, Ebola, Marburg, hantavirus, anthrax and Zika.

To put COVID-19 in perspective, in 2018 there were 3.2 million deaths from Influenza, TB, Typhoid, Measles and HIV/AIDs alone. No lockdown has been ordered to deal with any of them.

Contents

2. Transition to normality

2. Transition to normality

Few governments have so far developed a planned resumption of normal activities, although many - such as China, the USA, Austria and Denmark - have announced the relaxation of certain measures. These were probably all too soon, although China and USA race to end the lockdown has undoubtedly not been to protect their populations, but purely to get an economic head start on each other. The USA is deeply worried that it could lose its perceived - but mistaken - position as the leading economic power in the World. Many leading American brands could be at risk and also the effect of the lockdown on America's trade balance and national debt will already place great strains on its taxation system and its standing in financial markets. Fitch, for instance, has applied its Analytical Stress Tests to US State revenue generation and has a worst-case scenario up to six times greater than originally projected. We are going to face a global recession anyway and neither the USA, nor China wish to be swept under by it. However, only China can escape it.

One country that has put together a clear plan for resumption of activities is Israel. According to the plan, from April 19th to May 3rd the number of employees allowed to work should rise to 50% and limited opening allowed for all stores. Kindergartens will resume activity and people allowed to leave home other than to buy food. From May 3rd to 17th there should be further relaxations involving schools and shopping malls. Then, after May 31st, all closed businesses should be allowed to open. It still remains uncertain when overseas flights could resume. The planning group talks of severe ongoing economic damage unless business activity does not pick up quickly. This is because "of the need to recreate employer-employee relations, to establish contractual engagements, and to buy and commission plant and equipment". The group concludes, however, that although "the industries that make the highest contributions to GDP are also the safest as far as the health criterion is concerned" unfortunately "the danger of infection is high in sectors that are particularly important to employment" such as tourism, leisure and retailing.

Any national plan to be truly effective must determine its starting point in terms of a target figure for new cases of viral infection. These must be based on true, and not politically massaged, figures. The plan should also allow for at least one subsequent resurgence of the virus during the recovery period. Individual companies will need to coordinate their plans with the lifting of lockdown measures so the national or local timetable and specific measures to be lifted will need to be clear.

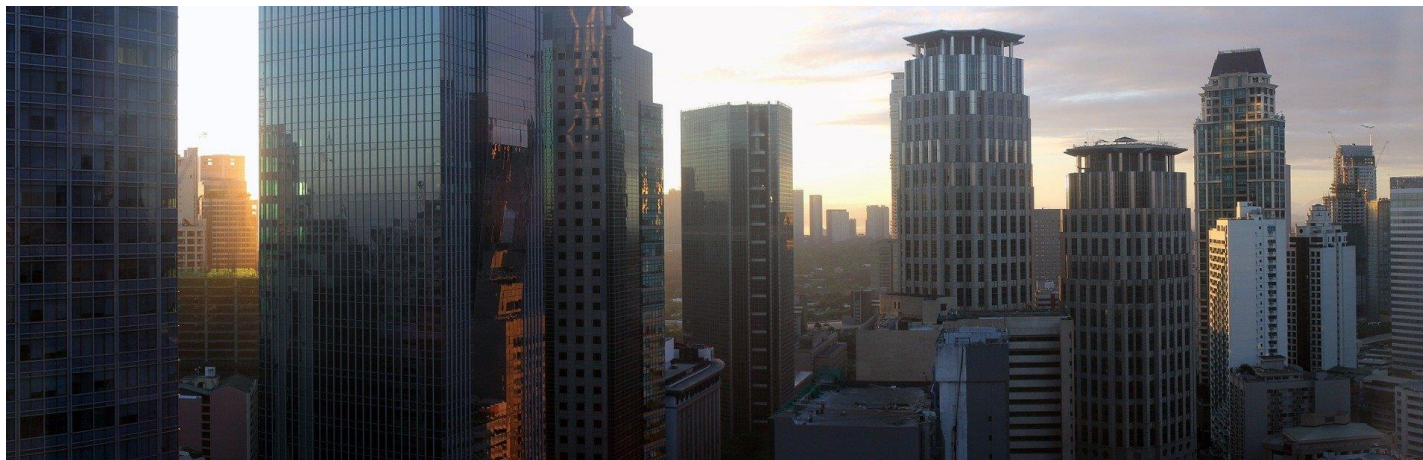
Contents

2. Transition to normality

Of course, many industries will not be able to resume production until all processes are phased back into operation and supply chains re-established. There will likely be key areas of shortage, with no immediate alternative supply available. Most production plants will have used the lockdown period for cleaning and maintaining machinery and equipment, but this could have left many mechanisms with the need for newly identified replacement parts.

Then there is the resumption of personnel. Not all employees will be necessary from "day one" and if demand has heavily fallen many will need to be left on furlough, short time or have to be made redundant. That is why detailed manpower planning is necessary to identify how to phase-in individuals and work groups. Identifying candidates for redundancy will often be difficult because of legal constraints on the selection of people for termination. This will certainly be the case in Germany where the criteria for selection includes an individual's personal and domestic circumstances.

Where larger-scale redundancies are to take place in the European Union prior information and consultation will have to take place. In the UK this could cause special problems because many workplaces still do not have an employee forum and establishments with 50+ employees must respond to a valid request from employees to set up such a forum. The timing of a change in this respect as been unfortunate - as now only 2% of the workforce needs to request such a forum - instead of 5% before April 1st 2020. Once a request has been made, the establishing of a forum could cut across and further delay any consultations about a collective redundancy. This would hugely increase costs for companies suffering from the post-pandemic downturn and lead to even higher redundancy levels than would have otherwise been necessary.



3. Sectors Most at Risk

All sectors are at risk from our worst case scenarios of the pandemic we outlined later in this report. However, in the immediate aftermath it is possible to distinguish seven distinct categories of risk. These go progressively from relatively good to very bad, as follows:

A: Sectors that have been largely at an advantage from the outcomes of the lockdown. These include banks; retail multiple supermarkets and chemists; food and soft drink manufacturers; pharmaceutical companies; manufacturers of PPE; cleaning suppliers; videoconference software houses; distance learning providers; insurance companies specializing in motor vehicle cover; brewers and distillers; online bookmakers; telecoms companies; ISPs; social networking companies; private mailing companies; large online retailers; and private hospitals.

B: Sectors that may be at a slight disadvantage or for which the crisis has a largely neutral outcome. Credit card companies; much of the public sector; top 20 legal and accounting firms; larger farmers; some forestry and all fishing businesses.

C: Sectors that were hard hit by the lockdown itself, reduced activity during that period or falling markets, but will pick up after the lockdown ends - although to probably well short of their former level. Certain top clothes multiple retailing stores; hairdressers; medium to large law firms and accountants; leading management consultancies; IT services; stockbrokers and bond traders; architects and quantity surveyors, electrical contractors; robotics manufacturers; contract R&D establishments; oil companies; car rental companies; removals companies; garages and repair establishments; HGV transport companies.

D: Sectors hard hit by the lockdown, but may be able to achieve some measure of recovery with government aid and/or new public contracts. Medium-large airlines; automotive companies; large construction companies; defence industries; civil aeronautical manufacturers; gas production and marine transport, smaller retailing banks, building societies and some leading merchant banks.

E: Sectors that will find it difficult to recover due to shortages in raw materials, parts, and equipment and which have damaged supply lines and reduced market demand. Much of the engineering and electronics sectors (nec); chemicals; electrical wholesalers; carpet and textile manufacturers; detergent manufacturers; household appliance companies; luxury car manufacturers.

Contents

3. Sectors Most at Risk

F: Companies that offer services which involve high levels of physical proximity and/or the sharing of equipment and are in areas where consumers can readily economise when spending power falls. These will experience huge cuts in demand of 30-50%. Bars; restaurants; all but the top 10 hotel groups; travel agencies; travel insurance companies; sporting organisations (football clubs); casinos; cinemas; keep fit establishments; theme parks; leisure complexes.

G: Organisations that are likely not to survive the crisis. Small professional firms; recent start-ups; business loss insurers; small airlines; all SMEs in the travel industry; home furnishings, sports, whole food, toy and beauty retailers; jewellers; smaller advertising agencies and PR companies; commercial radio stations; small estate agencies; small car showrooms; building suppliers; department stores, shopping mall owners; care homes; and companies already at risk before the lockdown.

Any lifting of restrictions must take into consideration the differences we have outlined and not just the pattern of virus transmission and mortality. Allowing people to flood back into activities with a high level of close physical proximity could give rise to further serious waves of infection. Moreover, organisations need to be given time to prepare their facilities and introduce necessary ongoing safeguards. There is going to be a substantial rise in unemployment and this could be associated with a surge of labour unrest.

Governments should particularly be exploring now how they propose to assist category D sectors. There needs to be a high degree of openness, at least with the business community. The impact of the lockdown has been the "last straw" for many high street businesses. This will leave city centres even more like the waste lands characteristic of US inner city areas. Moreover, large employers will not wait around for any government rescue plan that will probably never materialize. They will be looking to rationalize operations, consolidate their assets and, where a large rise in corporate taxation appears to be imminent, they will invest elsewhere.

4. Maximising Automation

Intelligent automation consists of the replacement, or enhancement, of human tasks by advanced systems and technologies. It is therefore naturally labour displacing and usually gives rise to higher output and greater accuracy. It emerged with the discovery of microprocessors, improvements in control systems and the first elements of machine intelligence. However, although the capability to introduce widescale automation into manufacturing and parts of the service sector has existed since the late 1980s, it has been severely impaired by a combination of "offshoring" to low cost labour markets and the conservatism of business leaders. But in the last ten years conditions have changed and previous low cost labour markets, such as China, have raised their income levels. The China-US trade war has also reduced the attractiveness to offshore there. Other centres remain, but the quality of labour in such locations is often poor and supply uncertain.

Two other important factors are the declining cost of automation and the emergence of more tech-savvy millennials into senior management positions. Even before the current crisis large businesses in Europe, North America, Japan and China were poised to jump into the third industrial revolution. It is now clear that companies have been using the period of downtime during the global crisis to plan ahead for widescale changes in operations. Previous predictions of growth in the factory automation market were running at 5-8% pa. However, from 2020 to 2025 it is likely to rise to 10-11% - producing a 60-69% compound growth over the period. In the service sector, the inroads of automation are likely to be much more sudden, introducing the people-less office and fully automated supermarket as the norm.

Labour displacement will not initially be great, with companies holding off until that can determine demand levels for goods and services. However, from late 2020 momentum will pick up - and by 2023 we could be seeing unemployment reaching 35-40% throughout the developed world. Of course, this will be only on the basis of our best case scenario, in the "worst case" scenario we outline later there will be very few, if any, remaining jobs.

Contents

5. A Growing Prejudice

5. A Growing Prejudice

One of the biggest failings of humanity is its persistent tendency to reject "otherness" and resist change by seeing them both as threats. There is also a readiness to accept as "reality" human constructs transmitted as matters of faith that have no basis whatsoever in any "reality" derived from objective scientific reasoning. This often translates into strongly-held beliefs about the relative worth of other people - defined through stereotyping.

Prejudice can, of course, have strategic value for its adherent in the workplace. If, for instance, men convince their superiors that women are inherently inferior, their own chances of promotion would increase significantly. However, the roots of prejudice are not generally founded on selfish strategy, but innate fear. Thus, for adherents those of the Islamic faith are regarded as potential terrorists and disabled employees as owing their job to legal quotas and not personal merit.

What has emerged during the current crisis is a new strain of prejudice. This first showed itself in France through the labelling of those with Chinese origin as potential carriers of COVID-19. When the pandemic began to ease in China it was "foreigners" who represented the greatest threat. These phenomena are only fore-runners of a much deeper and menacing trend that will unfold after the lockdown has been relaxed.

The most visible and natural outcome of the crisis is a view of all others as a potential carrier of infection. This will gradually subside as the incidence of the virus reduces. However, for many it will remain - even to the point of hostility - because of the psychological impact of prolonged isolation. As job losses occur in significant numbers, further prejudices will emerge between those in and out of work and particularly against those in senior positions within corporations. There is nothing new in anti-establishment and anti-globalisation belief systems, but the way prejudicial attitudes will be expressed will undoubtedly change for the worse.

6. Corporate Privacy

There are three sources of threat to corporate privacy and the retention of commercial secrets.

1. The State: This has always represented the greatest threat to personal privacy. As corporate power is concentrated increasingly in the hands of a smaller number of private-sector organisations their independence and scope to hold States to ransom (even if not exercised) will become of increasing concern to governments. This will no doubt lead to an increased incursion of the State into the personnel records of corporate decision-makers and scrutiny of corporate plans.

2. Corporate rivals: Companies, especially from the few countries still achieving economic growth, will be under increasing pressure to glean intelligence and this will lead to a higher incidence of espionage. Espionage already accounts for business losses of US\$1.7 Trillion, of which - according to the US Department of Commerce, intellectual property theft in the US alone amounts to US\$250bn a year.

3. Criminal and terrorist groups: As we explain further in later chapters, it should not be underestimated how much centres of power and influence outside conventional business circles desire not only to hide behind the respectability of an established corporate entity, but also milk it fraudulently for private gain. This will mean finding ways to influence decision makers, their financial backers and those in supply chains by gathering data about them. One import route into the corporate heartland will be to seek employment into key posts through falsified credentials.

The economic impact of the pandemic will heavily weaken previous corporate safeguards and divert executive attention to the necessities of survival. This will expose companies and encourage them to take undue risks with potential backers or business partners - which, in turn will leave them suffering from a high level of vulnerability to the loss of confidential information. It will therefore be down to IT, Security and HR departments to work closely in order to protect privacy. In this respect, the GDPR and similar legislation outside Europe, will represent not so much an administrative burden, as an essential starting point to protect sensitive commercial and personal data.

7. Threats to Competition

With the resumption of business will come a huge growth in M&A activity, often either by hostile investors or through apparently friendly partnerships offering the liquidity many major companies will urgently need.

One example of such an acquisitive predator is the Chinese conglomerate Fosun International. This Group owns numerous assets across China and has already ventured into international arena purchasing the majority of shares in Club Med and Wolverhampton Wanderers Football club, a US fashion brand, the defunct Thomas Cook brand name, banks, property and investment companies across four continents. It is therefore well placed to undertake hostile takeovers as western corporations weaken and become open to acquisition.

The German government is particularly worried that its indigenous, major companies will be vulnerable to a hostile takeover by Chinese investors during the period they are weakened by the current lockdown. To head this off, they have strengthened their own powers to intervene on any pretext. This still does not prevent, however, major Chinese brands from flooding the market in coming months. Trade dumping could affect many countries and rapidly outpace established brands. Exploitation of shortages could also lead to profiteering. These risks could have drastic added consequences for employment as countries pull out of the pandemic, especially in Europe and North America.

Competition Authorities around the World are already opening up to the likelihood of an increase in anti-competitive activities as commercial life gets tougher. A sharp downturn will not only encourage the growth of price cartels and bid fixing, but will permeate into every aspect of business life - including wage-fixing ("salary clubs") and non-solicitation deals. In the USA the Federal Trade Commission (FTC) already has sweeping powers to take action against employers under [Anti-trust law](#).

Other competition Authorities, particularly in the UK, are now taking a closer interest in many aspects of labour costs and non-governmentally imposed overheads as a factor in product and service pricing.

8. Force Majeure

Once the legal fallout from the health crisis begins to be evaluated much contractual litigation will hinge on the concept of "force majeure".

This term is not universally accepted as of relevance to contracts and, under English law, for instance, it must generally be defined within the contract itself. One critical element is in its execution - as parties affected by it must give each other reasonable notice that it is a factor in contractual non-compliance. They must also take clear steps to minimize the impact on the other party.

Employment contracts do not invariably contain a "force majeure" clause, although some may refer to it through expressions such as "Acts of God". Then, of course, it depends how the clause is worded and if it specifically related to "a state of emergency" or a "pandemic". The same principle applies to collective agreements and service contracts with independent workers. In the absence of such clauses there may be a fallback in "common law" countries (UK, USA, India etc) to principles such as "commercial impracticability, impossibility, frustration of purpose or hardship." There may also be national or local government orders associated with a "state of emergency" that specifically relieve parties from the fulfilment of contracts/duties - at least for a specified period. Here, however, it depends whether any measures referred to under such an order amount to a legally valid provision, or are simply advisory - and furthermore, whether any list of causes and justifications stated are exhaustive or non-exhaustive. Does any order, for instance, just relate to general business supply contracts - or also include employment contracts?

Either way, some larger employers are going to have a busy time fending off such challenges as soon as governments relax restrictions. In the meantime, a quick investigation of contract/collective agreement wording is essential and also steps taken to ensure notification and mitigation requirements have been met. It will soon be too late to rescue any situation and company law firms will be licking their lips.

9. Courts Systems

There has been much speculation that governments will issue orders effectively writing off all (or maybe some) alleged civil infringements – such as employment unfair dismissal cases - together with associated penalties arising during the state of emergency they have called. This is because of the possible huge backlog of cases that will await the courts when the crisis is over. One huge area where this will happen is in the field of business interruption insurance - where insurers often never thought to insert exclusion clauses for force majeure or specifically for a pandemic - and, if they did, the whole definition of the term will be in question.

In fact, if anything, the range of potential causes for litigation have increased, although some of these have been resolved through spot fines, fixed penalties and enforcement orders. A state of emergency does not increase state leniency (prison releases are not due to that) and magnanimity, but suspends many civil liberties and allows the police, factory inspectors and other officials at a central and local level more scope to take arbitrary actions. Thus, if there is to be a suspension of any liability it is only likely to relate to the actions of those enforcing the laws, however ineptly.

The legal system itself was clearly ill-prepared for the crisis. Many courts have suspended operations, or certain functions - such as issuing injunctions. In others, such as Hong Kong, all the courts have switched to hearing urgent cases through video-conferencing. Numerous civil courts around the World already possessed the technology for limited use in family hearings which involved children and for pre-hearing discussions between the judiciary and with lawyers.

However, as it rapidly spreads, its limitations will become evident. Part of the dissuasive purpose served by an in-person court hearing is its drama and grave atmosphere. Moreover, there are a host of signals all of us convey and betray in normal life that can be disguised over a two-dimensional image. That is why it takes a truly great film Director to show the audience details that betray the truth - like sweaty palms, clenched fists, hand movements behind the back, a sideways posture, a smile that is actually a sneer, the nature of pauses or the tightness of hair drawn back behind a woman's head. Technology, however sophisticated, will always have a tendency to go wrong and this will allow those giving testimony the chance to prepare more elaborate fabrications.

Whether what is said is "nothing but the truth" will be anyone's guess if this continues in popular use longer-term. It will also, no doubt, lead to litigation in itself - as those found guilty through it begin to challenge its legal legitimacy.

10. The New Political Order

The health crisis has created an unprecedented opportunity for governments to exercise draconian powers during peace-time. What has surprised many is how ready the populace has generally been to conform to restrictions without the need to introduce martial law and call on the military to enforce, for instance, curfews. This fact will not be lost on politicians and we can now expect a general reduction in civil liberties and, for instance, an ongoing requirement for individuals in even some democracies to carry authorizations to travel outside their home. This will, no doubt, be exercised in the name of law and order when it is discovered and publicised how much criminality has fallen during the lockdown.

In recent months many governments have turned into one party or, worse still, "one person" dictatorships. This is certainly the case in Armenia, Ghana and Hungary. It is unlikely that they will ever fully lift many of the restrictions imposed on the populace - whilst other freedoms, for instance free speech rights, will also disappear.

Governments such as France and Hong Kong have taken advantage of the lockdown to identify the principal activists in the anti-establishment protests that had become a feature of everyday life last year. These attempts to neutralise opposition will go ahead largely unreported, but could be exercised against other groups before resumption of "normality" - such as militant trade unions and environmental campaigners.

It is unclear how such a "new political order", and consequent loss of democracy, will affect major employers. Generally, democracy is good for business and frustrations such as its slowing of decision-making and uncertainty of outcome are outweighed by freedoms for consumers, free movement and choices in the labour market. The huge growth in police inspections of business premises during the lockdown could, however, lead to an ongoing vulnerability to other forms of inspection and the pursuit of employees who have exercised newly unlawful actions such as exercising free speech or street protest. Even the normal activities of trade unions may be challenged and relatively innocent forms of business networking and conference attendance subject to scrutiny under competition rules. Companies will have their employment policies challenged as they have to become more state-centred and respond to forms of imposed tyranny - rather than the fair practices inherent in democratically derived laws.

11. The Growth of Protectionism

Protectionism in the labour market has been a growing trend in the Middle-East for several years and has spread to other areas of the Muslim world, such as Malaysia. The process of Saudization, for instance, is a recognition that nationals are failing to gain the necessary skills they will require once Saudi Arabia starts to run out of oil in 50-70 years time. This concern may, however, appear precipitant as skills learnt now will not be utilizable when they become useful in the year 2090. In fact, the true reason for actions such as Saudization or Emiratization is purely protective in respect to "face", income, wealth and cultural identity.

Such countries have long depended on foreign skilled labour, and governments do not want nationals to be seen as a purely leisured class, or for non-Islamic foreigners to pollute life styles further with western habits and beliefs. Such a position would leave rulers as the targets of fundamentalists. The fact that for most nationals holding a localised position often do not even turn up to fulfil their role is less relevant than the appearance that they do.

The problem confronting Saudi Arabia as we come out of the crisis is that the World is awash with oil. So much so that there is nowhere to store it. This leaves Saudi, and many Gulf states, in the precarious position of having to stop production just as demand for oil potentially picks up. In order to balance international payments it will therefore be necessary to cut imports from the rest of the World. Something that will only deepen further the global downturn.

There is also the growing sense amongst countries that have absorbed large immigrant populations in recent years - such as Germany and Turkey - that shrinking GDP will reduce demands for their skills and place a greater burden on their welfare systems. Germany's careful planning for the next recession has left it in a relatively strong position to weather at least the first year of a sharp downturn. However, it will not wish this fact to suck in nationals to take jobs that its own nationals could perform. This is a dilemma as EU free movement rules require Member States to allow nationals from other EU states to live and work where they wish. There has been a partial closure of national borders within the EU Schengen zone during the health crisis and Germany may seek to lengthen restrictions on its borders for as long as possible.

Contents

11. The Growth of Protectionism

Also within the EU countries with low corporation tax rates - such as Bulgaria, Cyprus, Hungary and The Irish Republic - may well try to resist raising them in the fear that it would reduce their attractiveness to investors and penalise local companies. It is likely that other EU states will feel forced to raise taxes on profits, thus rewarding fiscal protectionism by making these corporate havens even more attractive, especially to Non-EU enterprises seeking to gain a foothold in the EU.

The country that is likely to be most protectionist after the crisis is over is France. In a TV address in early April President Emmanuel Macron, said that "We will have to build our stronger economy, in order to ... give hope to our employees, our entrepreneurs, to keep our financial independence. We will have to rebuild French agriculture, health, industrial and technological independence and strategic autonomy".

The French have always displayed a patriotic loyalty in their spending patterns - such as the dominance on the roads of French-built cars - however, the crisis has brought the food industry onto centre stage and it has never worried President Macron whether putting France first is against EU rules, or the spirit of shared advantage. Not far behind such actions, of course is the xenophobia that lay behind the laws against face covering in public. Arguably the reason why COVID-19 spread so rapidly in France was because to obtain a face mask and wear it required a doctor's prescription.

There is a small step between economic protectionism and nationalism which could easily rebound in the workplace. Export-led companies and foreign enterprises could find that they become the target for local radicals and extremists, whilst a company's trade policies and supply chain choices could be questioned by the newly named and reconstituted Comité Social et Economique.

Contents

12. The Collapse of the European Union

12. The Collapse of the European Union

For the first thirty years of its existence the European Economic Community - subsequently the European Union (EU) - struggled to have any recognisable significance, other than as a free-trade body. Then, during the build-up to the 1992 reforms it started to address a number of the largely neglected functions put in place by its founding fathers. Chief amongst these was the European social and employment dimension.

The growth of this dimension brought trade unions politically "on side" and the concept of social partnership took root. However, what the EU failed to take into account was that trade unions were losing membership and traditional employer organisations were largely losing their importance.

The European Union has also suffered greatly from overarching bureaucracy and a lack of authority in relation to individual Member States. This can be seen in the failure of many Member States to implement employment Directives in an accurate or timely way, accepting Greece into the eurozone when it had falsified its qualifying statistics, ignoring key aspects of the EU Treaty - such as [Art 153\(5\)](#) - when it suited policymakers and allowing countries such as Poland and Hungary to stop functioning in a democratic way. The loss of the UK was a huge failure on the part of the European Commission and the fact that the EU can have accession talks with Albania when it is so rife with corruption is a huge miscalculation and mark of sad desperation.

In the midst of not being able to gain agreement from Member States about how funding would be apportioned after the departure of the UK, an urgent priority arose concerning a joint rescue package for States hardest hit by the pandemic. Here again, there was indecision and a failure of leadership. The EU issued an order closing external borders, but was silent about national borders. So it was up to individual states to decide when and what border controls should be put in place. As the lockdown moved towards its peak, some countries - such as Austria and Denmark - began to talk about relaxing restrictions. Instead of stamping on such plans and making a clear statement about what defined level of improvements would need to be reached before any relaxation took place the EU remained silent. A recognition perhaps that, as an institution, it is beginning to lose its purpose.

One thing that the pandemic will hopefully do is encourage European countries to review what institutions truly serve their requirements. Instead of the EU there perhaps needs to be a reshaped free-trade body, and instead of other international publically funded bodies - like the OECD and IMF - there are perhaps better and much cheaper alternatives that could be found.

13. The Final Downturn

Various estimates have been made by the IMF and individual governments about the effects of the lockdown on the economy. In most cases, these are gross underestimates. Even if the World economy does pick up quickly in the second half of 2020 and there is a subsequent "bounce back" in demand it will be short lived - and anyway too late to save GDP from falling by at least 20% this year - and possibly much more. Of course, many countries will begin to falsify their economic growth statistics in order to try to convince financial markets that only slight damage has been done, but one serious shortcoming will be the absence of data collection during the downturn. Governments have been having to steer their economies blind for at least three months.

It is also perhaps now time to reflect seriously on what GDP really means.

To start with, GDP needs to actually be "Real GDP" in order to remove price inflation or deflation from the change. Then we have to consider what GDP is actually showing us. At the heart of the GDP concept is the nature of "value" itself - and how it is created and measured.

Until the eighteenth century coinage was issued in base metals that indicated their inherent value, but around the end of that century paper currency became the norm. A banknote was originally a contract that the issuer of the note will give the bearer of it the note's value in gold. Governments and banks subsequently stored up huge gold reserves to honour that pledge. But the definition of the pledge slowly changed to the "gold standard" - which meant that government would simply undertake to convert their currency to gold at a fixed price if it became necessary. That ended for pound Sterling in 1931 and was finally abandoned by the USA between 1971 and 1973. Other governments and central banks followed and now no currency operates through such a standard. With the collapse of the standard also came an end to the Bretton Woods Agreement which pegged currencies to the dollar - which, in turn, was Formally supposed to be backed by gold. Although Bretton Woods was a very imperfect mechanism it did place some control on the profligacy of individual governments. Moreover, once currency had no need for such backing, the door was open for governments to borrow huge sums to finance their spending and print money in any quantity they wished ("quantitative easing") - thus accumulating vast debts which attracted increasingly insupportable interest payments. They could also play the game of offering attractive interest for their own borrowing, but have separate manipulation of minimum bank interest rates to help control inflation.

Contents

13. The Final Downturn

In fact, the national debt of the USA alone is now US\$25.3 trillion. Almost all governments in the World are thus essentially bankrupt and private lenders/speculators depend on the surety of their lending to governments. Up until now, the only thing that has kept this magic going has been a steady rate of economic growth. As long as economies could keep growing, and the profit generated could be taxed, then the bubble would not burst. Stop such growth and the whole World of floating bubbles will burst. Periodic blips, such as recessions, were OK - but not major dysfunctions.

Two institutions that were established under Bretton Woods to provide regularly oversight and financial backing for weaker economies were the International Monetary Fund (IMF) and World Bank. Remarkably, both continued after fixed exchange rates were abandoned, although their role was progressively side-lined by events. Things changed radically for the worse in 2012 with the appointment of Jim Yong Kim to head up the World Bank. Although he had claimed that he had a personal mission to ease poverty, one of his first actions was to open the door to private investment banks to fund third World projects. Many of these banks had uncertain provenance and this left weak and often corrupt governments subject to financial manipulation by those that would not flinch to use any means to further unscrupulous ends. Curiously Jim Yong Kim left the World Bank early to join an Investment Bank.

The other important variable in the saga of undermined currencies are trade balances. When the Bretton Woods Agreement was signed in 1944 the US had a healthy positive trade balance, but by the early 1950s this had turned into a deficit. In fact, today the countries with the largest trade balances in the World are the USA and UK. In the latter case, the deficit will grow substantially from 2021 due to Brexit.

What the Pandemic has done is bring the hugely inflated bubbles in most major economies finally to bursting point. When economic growth goes into a prolonged reversal by more than 15%, the World economic order will inevitably collapse under a mountain of government debt. Interest payments cannot be sustained and confidence in currencies tank. Once there is little or no value in currencies, commercial life will cease and GDP will slide way below that created by the pandemic alone.

This outcome has always been an eventual certainty, but few wished to factor it into their view of the future and the public was too hungry for improved living standards and public services to care. Now governments will wish to hide what they can and some financial analysts will realise that if they respond to the truth of the situation their whole world will collapse around their shoulders.

14. Endgame

Whatever the actions of governments and the private sector to rescue the economy, since the abandonment of Bretton Woods there was always the real prospect that the past will catch up with everyone some day, making the restoration of the same old comfortable "normality" impossible.

A New Normality

The fast onset of the pandemic has undoubtedly taken many people by complete surprise around the World and they have been unprepared for the severity of the consequent lockdown. Many are clearly still in a state of psychological shock and unable to fully function in order to meet the demands of the current situation. Others will have gone home to work and discovered a far more pleasant domestic life - which they will be reluctant to give up readily on returning to work. Because of government subsidised wages and cheap support loans many of the working population will have been protected from the worst consequences of the drop in economic activity and it will only be when the financial support comes to an end, and they realise the recession that faces them, that they will realise what has really happened to the World.

It now appears doubtful whether, even if the economy awakens, it will ever get back to where it left off. Things will have drastically changed, the old certainties will be lost, routines disturbed and an assured future gone forever. Bad things will probably not happen straight away, as government support measures will mean that spending power remains. But this will be short-lived.

One characteristic of the new World will be social distancing and the continued wearing of face covering. There will be less face-to-face business meetings and little air travel will take place - other than for passengers given travel vouchers for previously cancelled flights. However, many airlines will not have the resources to honour the rescheduled flights.

Long distance commuters in office jobs will seek to continue working from home and offices themselves will have to operate with new social distancing practices. This will have a huge impact on open-plan offices and shared desks, equipment and pooled cars. There will also be a backlog of disputed issues arising from the lockdown. Unions will seek to take advantage of any corporate weaknesses and, seeing ahead to the impending downturn, will be pressing for all kinds of improvements in pay and working conditions.

Contents

14. Endgame

By the Autumn of 2020 it will be becoming evident that demand is faltering and shortages emerging - not just at a business-to-business level, but also in retailing outlets. Inflation will begin to rise as currency values fall and shortages become more pronounced. By years end many countries will be faced with an insurmountable crisis. Job losses will have increased unemployment to 20-30% and social order will be more difficult to maintain. Governments will therefore have to reintroduce many of the pandemic lockdown measures, only now restrictions - such as curfews - will go hand in hand with rationing and a more visible police and military presence.

Longer-Term Risks

We must all face the prospects of two worst case scenarios - that might both trigger at the same time. These are:

- * That governments will try to dismantle the lockdown too soon and therefore have to re-erect it and delay still longer any resumption of normal activities.
- * The true impact of the lockdown on the World economy will be realised before the World can fully recover and that this will force markets into free-fall - and, with them, currencies - thus causing a total economic collapse (TEC).

With TEC will come a breakdown in social order as governments will not be able to sustain control over their populations. Individual companies will lose their markets and, even if demand did exist, then the currency used would be worthless. Not all currencies will collapse and the Chinese yuan (Renminbi) will become the new standard. Bartering will also re-emerge as a medium for trade.

One most disturbing consequence would be that both criminal and terrorist groups will seek to take advantage of this situation. This is made far worse by the policy of some governments, like Turkey, to release thousands of career criminals because prison staff are refusing to come to work.

It will therefore be critical to strengthen the process of background checks and consult such sources as the Interpol [red notices](#) to identify potential people to avoid at all costs. Unfortunately, there are [numerous lists](#) to consult that, unlike "red notices", do not contain photos.

Not only do they pose a risk as potential employees, but also as new non-exec board members, contractors and consultants. More disturbing still, in the latter cases, HR professionals may not have any role in their appointment. That is why the HR Director should ask the Board to agree a moratorium on all appointments and outside contractors/consultants without HR prior vetting.

The threat from terrorist groups is even more pronounced. Contrary to popular belief the loss of Bin Laden did not defeat Al Queda, but simply drove it underground. Saif Al Adel has always been Al Queda's principal architect of destruction. This Egyptian former military colonel, intelligence expert, explosives specialist and self-proclaimed prophet has been reported dead many times. He is, however, very much alive and probably in Syria. There is a huge CIA price put on his head.

He wrote in 2005 "Al Qaeda's Strategy to the Year 2020" in which he predicted that "The US economy will finally collapse by the year 2020, under the strain of multiple engagements in numerous places. This will lead to a collapse in the worldwide economic system, and lead to global political instability. This will lead to a global jihad led by al-Qaeda, and a Wahhabi Caliphate will then be installed across the world."

Just to make things worse, the US Presidential election this Autumn - with the background of the deepest collapse in GDP the World has ever seen - will not go without incident. The chances are that Saif Al Adel has a monstrous plan in store and 2020 is unlikely to end without it being realised.



Contents

14. Endgame

15. Conclusion

Never, since the fall of the Roman Empire has the civilized World had to face such a sudden, stunning economic blow as that created by governmental responses to the COVID-19 pandemic. However, to make things worse, the blow was self-inflicted. It was certainly avoidable if, instead of criticising China in January 2020, foreign governments and medical experts had helped it contain the virus. It is, moreover, the failure of the World not to see the pandemic coming. Certainly, Bill Gates had predicted the pandemic in 2015, the WHO in 2018 had talked about a "[virus X](#)" that could spread Worldwide. Whilst FedEE's Secretary-General had, back in the Summer of 2019, warned employers to plan for such a calamity. It is sadly all too late now.

No doubt everyone will step out of the current global lockdown and try to get back to work with "normality" restored. Only, of course, there will be no old comfortable normality any more. Few, of course, will see the entire frightening picture and those that do will invariably want to look away and raised the painted veil (2).

We hope that our conclusions are ultimately very wrong. On the plus side, many will have rediscovered family life whilst pollution will have temporarily fallen. However, the only winner coming out of this collective mess will be China. As can be seen in the figures below, the gap between the end of 2019, when the crisis began, and the end of 2021 will be marked by a huge rise in lost jobs, inflation and defaulting governments. But China will have gained almost a quarter of global GDP.

Global Snapshot - FedEE Predictions

At end of 2019 (Figures and estimates)

Total Working Population: 4.6BN*
Total Unemployed: 350 Million **
Assets Under Management: US\$89 Trillion
Share of GDP by USA: 14.2%
Share of GDP by China: 19%
Consumer price inflation (OECD): 2.2%
Defaulting governments: 1

By end of 2021 (FedEE projections)

Total Working Population: 4.3BN*
Total Unemployed: 1.1BN**
Assets Under Management: US\$38-40Trillion
Share of GDP by USA: 10-11%
Share of GDP by China: 24%
Consumer price inflation (OECD): 16-18%
Defaulting governments: 12-15

* Including informal economy and unemployed

** Available for work

Footnotes

(1) No attempt was made by medical researchers, or individual doctors, to distinguish them and they are both, in any case, often co-existent.

(2) Of course, there is a solution, although governments will never achieve the unanimity between themselves to achieve it. That is to "write off" all government debt in an instant and go back to a new fixed standard based on real indicators of wealth - like mineral resources in the ground, technical, production and human skill assets. Any new standard would also need to factor in negative outcomes of human activities, such as pollution and global warming. Unfortunately, there are too many vested interests in the present system for this ever to get off the ground. To start with - the World Bank, IMF and OECD would need to be closed down and a new global regulatory body created. All along, those losing out by the change would be conducting ruthless "dirty tricks" to preserve the status quo and then, of course, there is the other more menacing threat from political and military extremists - for whom the coronavirus, and what it is doing to the USA and World economic order, is a dream come true.

(3) "Lift not the painted veil which those who live
Call Life: though unreal shapes be pictured there,
And it but mimic all we would believe
With colours idly spread,- behind, lurk Fear
And Hope, twin Destinies; who ever weave
Their shadows, o'er the chasm, sightless and drear."

Percy Bysshe Shelley.