

Tell Me How This Ends

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I have titled this paper “Tell me how this ends,” as that question has been associated with me ever since I first asked it during the early days of the fight to Baghdad in 2003. I was the Commander of the 101st Airborne Division at the time, and it was quickly becoming clear that the assumptions we’d been given before the invasion of Iraq were being invalidated, one after another.

Now, “Tell me how this ends” is once again the question on all of our minds, this time about the global pandemic and the global disruptions it has unleashed—economic, geopolitical, sociological, and technological. To give you a hint as to my emerging assessment, an alternative title I considered for this paper was, “At least two years to a new normal.” And it is increasingly clear that the new normal will be considerably different from what was normal before the pandemic. Another title I considered, since I used to teach economics, was “It depends.” You can never go wrong with that, and I will resort to that later in this piece where no other answer is possible. A final option was what Harvard Professor Stephen Walt, one of my dissertation advisors at Princeton twenty-five years ago, recently offered: “A world less free, less prosperous, and less open.” I hope that his prediction is proven wrong, though I have increasing concerns that it could be what comes to pass.

How *Will* the Pandemic End?

All of what does transpire, of course, hinges on how and when the pandemic itself does end. The *short* answer is that the threat of the virus truly ends, of course, only when either an effective therapeutic treatment or a vaccine—or both—are developed, mass produced, and administered globally, dramatically reducing the effects of the virus on those infected or, even better, enabling immunity from the virus altogether. Either of those possibilities, however, still appears many months away, at the least. In fact, the fastest vaccine ever developed in the past took four years—though various trials already being conducted around the world hold promise that a vaccine will be developed much more rapidly than that, perhaps as soon as later this year or early in 2021. But even if a vaccine is proven by then, many months will be required to mass produce it, distribute it, and administer it on the scale required to reduce substantially the incidence of the virus and the fears of it, as well.

How Quickly Can Current Restrictions Be Eased?

In the meantime, then, the key question for some months has been how quickly restrictions intended to halt, or at least reduce significantly, community transmission of the virus could be lifted so that some normal commerce, education, and social activity could be resumed. Lifting of restrictions was supposed to have been pursued as an approach that maintained various safeguards, such as wearing masks in public places, continued tele-working by those who can, limiting the sizes of gatherings (especially indoors), social distancing among those who do gather, numerous provisions to reduce risks in various industries and sectors (especially bars and in-restaurant dining), and continued sheltering-in-place by those most vulnerable to the virus’s effects.

It was also clear that a huge increase in testing and contact tracing capabilities would be needed as restrictions were reduced in order to identify and act in response to outbreaks—and, thus, to provide a degree of confidence, as well. Confidence is essential, of course, as resumption of normal activities is not just contingent on reopening the doors of various businesses, schools, and other institutions, but also on whether people feel secure in resuming some of their normal behavior. Testing and tracing capabilities have also been seen as essential to avoiding spikes in infections that could overwhelm our medical infrastructure. Ultimately, in fact, (and I note that this sounds a bit futuristic), there may need to be some form of digital assessment of one's health tied to daily near-real-time testing, as well as monitoring of one's vital signs, displayed on an app that assesses individuals' health status and could determine access to certain venues, possibly including public places, large gatherings, and public transportation. To be sure, any system used in the U.S., in particular, would have to have significant measures to safeguard participants' privacy. But, without an initiative like that, consumer and business confidence may not be fully restored in various parts of the world for a considerable period. And instead of top-down mandates for such initiatives, it may be that they will be voluntarily adopted from the bottom up, as certain entities require their use for entry to those activities. It appears that there are numerous initiatives being pursued that could facilitate such approaches, with some countries already adopting them, as well.

I have, since the early months of the pandemic, suggested that the relaxation of the current restrictions would be slow, tentative, halting, and not unidirectional (as we have seen in Singapore, China, South Korea, various European countries, and many U.S. states that “reopened” only to have to reimpose new restrictions after renewed outbreaks). I have suggested that this process would be similar to putting one's foot into the water in a bathtub to test the temperature, pulling it out if it is not right, making adjustments, then putting in more of one's body, adjusting further, and so on until fully immersed. That seems to be the case now that we have had many months of experience.

What I have described is essentially what is outlined in most of the concepts in the U.S. for reducing community spread and then relaxing restrictions—including the guidelines put forward by the White House (the Centers for Disease Control guidelines), the National Governors Association, and Harvard's Safra Center—with sequential phases for reducing restrictions, each phase triggered by fourteen days of consecutive reductions in the infection in the location contemplating reductions in restrictions.

Those standards notwithstanding, a number of locations in the U.S. and around the world have eased restrictions without the requisite two weeks of consecutive reductions in infection rates and without all of the recommended safeguards in place, as well as without developing all of the necessary testing and contact tracing capabilities. Many leaders clearly have concluded that the economies in their countries or states cannot wait for all the conditions recommended by epidemiologists. And we are now seeing what transpires in those locations, as a number of them experience a significant resurgence of community transmission of the virus that is, in many cases, necessitating a renewal of greater restrictions and undermining confidence. Much of this, frankly, was predictable, and one hopes that appropriate lessons are taken in those locations that have the options of implementing the guidelines to which they gave insufficient attention previously (and noting that some developing countries do not have the options available to the developed countries).

The Shape of the Recovery

All of this has led me to believe that there will not be a rapid resumption of *full* economic activity throughout the U.S. and much (though not all) of the world, some encouraging reports notwithstanding. The shape of the recovery in the U.S. is unlikely to be a true V (though certain sectors, such as home construction, may enjoy a robust V-shaped recovery); more likely, *in aggregate*, it will be an elongated U or, as the director of the International Monetary Fund has suggested, a jagged Nike swoosh in shape. Or perhaps, it may be a backward square-root-sign-shaped recovery that flattens out at a certain point due to continued pandemic activity and an end to fiscal support payments. Hopefully, we will not experience a W-shaped recovery, which could be the result of another significant shutdown due to widespread renewed community transmission of the virus, should reopenings prove premature or if the virus mutates or returns

from other countries after progress has been made at home. This is also possible if there is a second wave of the virus in the fall/winter. Given the developments in some parts of the U.S. and elsewhere around the globe, I have concerns about that. And, hopefully as well, it will not be a K-shaped recovery, in which those at the top of the economic heap do very well and the rest see their fortunes degraded. There are significant indicators that this could be the ultimate result if policy decisions are not taken to avoid such an outcome.

Implications for Geopolitics: The U.S.-China Relationship

With that context, let me focus on the likely effects of the pandemic on geopolitics, beginning with the most important relationship in the world: that between the U.S. and China.

My sense from the outset of the pandemic was that it would intensify and accelerate certain existing features of the U.S.-China relationship while also introducing some new ones. That has clearly been the case.

To be sure, the dynamic between Washington and Beijing had already become quite fraught before the worldwide outbreak of COVID-19. However, it appears that the developments associated with the pandemic have been exacerbating the competitive dimensions of the relationship. Developments over the past six months validate that assessment.

In the short term, the exacerbation of the competitive aspects of the relationship was likely to manifest itself in several ways, and many of those manifestations are now underway. As the Sino-American geopolitical rivalry intensified in the wake of the onset of the pandemic, both sides were likely to take further steps to insulate strategically sensitive industries from the other, and even to define what is strategic more expansively. In practical terms, that has meant pressures to harden and diversify supply chains, particularly in certain sectors, as well as pressures to impose additional restrictions on trade of certain items. It is also producing pressures for greater on-shoring of certain manufacturing and production capabilities and the acceleration of multiple new “arms races” in geopolitically significant technologies, such as 5G, space launch, artificial intelligence, hypersonic flight, and synthetic biology. Such developments were, to be sure, already visible in these areas; however, the concerns they reflected appear to have been heightened due to the circumstances of and experiences associated with the pandemic.

It is worth recalling that, for many years, there was an assumption about the U.S.-China relationship that economics would drive geopolitics—which is to say that deepening trade between our two countries would enable Washington and Beijing to transcend more difficult strategic issues. What we are now seeing is instead the opposite; increasingly, it is geopolitics that appears to be driving economic policy decisions. With the latest developments in various areas, including the Chinese development of a national security law for Hong Kong and the U.S. responses to that action and other issues, this is increasingly the case.

I offer this noting that I have long fervently believed that the United States and China have more to gain from cooperation in addressing the shared challenges of a globalized and interdependent world than from zero-sum struggles for power and influence, which potentially can have very dire outcomes. That would appear particularly important given the need for our two countries’ leaders to come together to lead the development and implementation of a global solution for a global pandemic and a global economic collapse.

Nonetheless, reality compels us to acknowledge that this is not the direction in which the relationship was headed before the pandemic—and that the pandemic and other developments in its wake are making the relationship even more difficult than it was, as ongoing accusations, new initiatives and responses, and aggressive diplomacy add fuel to already problematic relations.

In fact, it appears that the pandemic has been a catalyst for strains between other countries and China, as well. The flare-up of the dispute between India and China over the line of actual control between their countries, for example, has resulted in restrictions on the use of certain Chinese apps in India and other measures. The relationship between Australia and China has also deteriorated, in the wake of the Chinese response to Australia’s request for an investigation into the origins of the pandemic. Additionally, there has been growing skepticism about Chinese technology in the UK and Germany and other European countries. And the concerns over maritime disputes in the

South and East China Seas have grown this year, as well. In sum, even as China is recovering quite impressively domestically from the pandemic and may be the only major economy to grow this year, the frictions between it and other major powers appear to be on the rise.

The Broader Geopolitical Implications

Beyond those issues, what about the wider geopolitical implications? The answer here is, in time-honored economics professor tradition, “it depends,” in this case, on a variety of factors.

At present, while still early, there are various indicators, for example, that globalism, in general, and multilateral institutions, in particular, are facing greater challenges as a result of the pandemic. (That is especially the case for the World Health Organization (WHO), from which the U.S. is withdrawing.)

Beyond that tentative trend, what transpires in the months and years ahead *will depend* on whether prominent leaders seek to promote global, rather than just national, solutions, recognizing, again, that a global pandemic requires a global solution and that none of us is safe unless all of us are safe. Future developments *will depend*, for example, on how wealthy nations help cushion the blows to economies with far less medical capacity and little of the fiscal and monetary firepower that the U.S. and other developed nations are employing to keep those economies from going off a cliff. (And, here, it is important to keep in mind that the countries of Latin America, Africa, the Middle East, and South Asia have been behind East Asia, Europe, and the U.S. in the pandemic timeline and are still experiencing its worst effects.) And, certainly, the future also *will depend* on how international and multilateral organizations, especially the G-7, G-20, WHO, World Trade Organization, and international financial institutions, respond to the health, financial, and economic challenges associated with the pandemic.

My fear is that the pandemic may, over time, increase inequality within the developed world and emerging economies, promote greater populism, stoke nationalism and even nativism, reduce ease of travel across borders, result in diminished support for international organizations, and result in a further reduction in global trade and a substantial risk of financial collapse by those countries that were already in precarious situations before the pandemic.

As a believer in coalitions and international organizations, having been privileged to command a number of large military coalitions and also to serve as the chief of operations of the United Nations force in Haiti—and to work closely with other UN missions in the Balkans, Iraq, Syria, Yemen, and Afghanistan—I find those prospects very concerning. Nonetheless, I do retain some hope that national leaders will step forward in the months ahead and promote global efforts to resolve what clearly are global problems.

Implications for Business and Consumer Behavior

Beyond geopolitical implications, it is also important to consider the potential effects of the pandemic on business and consumer behavior. This is, after all, a critical subject, as it will have a great deal to do with the pace of return—and amount of return—to pre-pandemic levels of activities in major industries, including those connected with international and domestic tourism and travel; the restaurant and hotel industries; sports and large entertainment enterprises; major business events and gatherings; travel by plane, train, and mass transit; the cruise ship industry; commercial and private real estate industries; preferences for living in urban versus suburban locations; the prospects for brick-and-mortar retail (especially in malls); and even the very future of work and the locations in which it is performed.

With many of us having learned, for example, that we can perform our jobs reasonably well remotely, how critical will boots on the ground be in the future? Will our new expertise with video conferencing prompt many of us to reduce some of our previously crazy travel schedules? Will large firms still maintain large HQs in large urban centers, or will there be a shift to remote work, reduced travel, and distributed HQs, with small offices outside cities?

And what about the lessons for logistics supply chains and so-called “just-in-time logistics”? How much diversification of the locations in which various components of a product are manufactured will be necessary to

reduce vulnerabilities, and how significant will the ramifications of such actions prove to be? How much additional inventory of key components will be seen as necessary to avoid running out of them due to a potential disruption of supply chains? And how significant will the second-order effects in warehousing and inventory businesses and the third-order implications on the prices of finished goods and margins in retail industries prove to be?

Clearly, the answers to these questions are far from obvious right now, though I do expect that there will be important changes in consumer and business behavior, especially if businesses, tourists, and consumers need extended time to gain the confidence to resume traditional activities without undue concern that their employees, customers, and clients will contract the coronavirus. Keep in mind, again, that government leaders can allow and even encourage reopening of businesses, but it is the consumers' decisions that matter most in determining whether those businesses have customers or not.

Implications of the Responses by Central Banks and Governments

Finally, we should reflect a bit about the implications of the very significant—and necessary—responses to the economic devastation since the onset of the pandemic by central banks and national governments around the world. There have, for example, been extraordinary, truly unprecedented actions taken by the U.S. Federal Reserve and other central banks with interest rate reductions and enormous monetary easing. The same has been true of the massive and also unprecedented U.S. fiscal expenditures—already approaching three times America's annual discretionary budget—in an effort to cushion the blow of the extreme downturn, with more to come. The European Union and other governments have been pursuing similar fiscal and monetary initiatives, albeit not on the scale of the United States.

The actions by central banks and governments have, again, been necessary to cushion the blows from the economic collapse caused by the response to the pandemic. But there will be implications down the road that we should begin to anticipate. The pressures to deal with fiscal deficits at all levels of government that will result from the extraordinary government spending now ongoing will be substantial, especially in the United States (and particularly if inflation returns, as that might eventually force a rise in interest rates). It is likely that, once the crisis eventually ends, there will be much greater pressure than in recent years for increases in revenue generation and reductions in spending—at a time when our economies will desperately need new investment and stronger economic growth, which higher taxes and reduced spending could hinder. This pressure will weigh on many governments very heavily even after the new normal has gradually emerged from the economic wreckage caused by the collapse in so many sectors as a result of the necessary shutdown at the outset of the pandemic of all but essential activities.

Conclusion

All of us, needless to say, have been shocked by the death, sickness, economic calamity, and disruption of lives brought about by the pandemic. Naturally, we all look forward to a steady recovery from the terrible levels of unemployment and reductions in economic activity. At the end of the day, however, until a treatment and/or a vaccine are found and administered broadly, the economic revival in many sectors and industries is likely to be slow, halting, and far from a return to pre-pandemic conditions. It is also increasingly clear that the pace of recovery will depend in considerable measure on very extensive and increasingly rapid testing for the virus and on substantial increases in associated contact tracing and selective isolation regimens. This is what likely will be needed to restore confidence to citizens and consumers so that economies that were doing so well early in 2020 can return to steady, renewed growth instead of remaining, in many sectors, in what can only be described as a depressed condition.

All of this is doable and in line with the concepts around which national and state leaders in the U.S. have converged (even as a number have proceeded in ways that were contrary to the published guidelines). Now we must hope that the relentless execution of all the tasks needed to turn the guidelines into reality produces the steady recovery and expeditious arrival at what will begin to define the new normal, as the race to find a vaccine and treatment proceeds.

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