



# DTiK

## CORONAVIRUS AND ITS EFFECTS ON THE GLOBAL ECONOMY

April 1, 2020



## **Coronavirus and Its Effects on the Global Economy**

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### **Moderator**

- Süheyla Tayla, Mercury

### **Panelists**

- Nail Olpak  
Chairman of DEİK Board, Chairman of DTİK
- Prof. Gökhan Hotamışlıgil,  
Harvard University JS Simmons Professor of Genetics  
and Metabolism
- Prof. Daron Acemoğlu  
Massachusetts Institute of Technology Professor  
of Economics

**Total Number of Registered  
Participants: 592**

# TRANSCRIPT

The online seminar on “Coronavirus and Its Effects on Global Economy” was held on April 1, 2020 with 592 registered participants and the participation of Nail Olpak, Chairman of DEİK Board, Chairman of DTİK, Prof. Gökhan Hotamışlıgil, Harvard University JS Simmons, Professor of Genetics and Metabolism, Chairman of Sabri Ulker Center and Prof. Daron Acemoğlu, Massachusetts Institute of Technology, Professor of Economics under the moderation of Süheyla Tayla, Vice President of Mercury.



## Nail Olpak

Chairman of DEİK Board  
Chairman of DTİK

Covid-19 is a new issue at global scale that we have never encountered before. We are probably at a crossroads where the next historical process will be separated by "before and after COVID-19."

We feel that a new world order appears on the horizon for both individuals and businesses. Therefore, we need to make our mental and physical preparations for the future as if that day has come without waiting for the end of the outbreak, in addition to the precautions for today.

It seems that the way we live will change radically. It seems like a wide change is coming from sleeping habits to eating habits. Will we have a transition from our choice of food to our habits of restaurant use, from the way we fly everywhere every day or go from a city to another in our cars as if going to another neighborhood to more selective travel habits or styles?

We opened our eyes to a world where the biggest stadium lost its meaning, living in the tallest buildings and the elevators carrying the highest number of people became meaningless.

We are now in a new world where fixed rental income accounts are suddenly upside down and every physical contact you make while using cash machines, which is a cash withdrawal mechanism without human contact, creates a sense of alarm. I think we will learn new economic terms in a process where interest, exchange rate, gold and commodity price balances are all mingled.

While we were talking about inflation indices in every discussion, we're now talking about printing money and it is not even enough. What parameters are these statements turning up?

While everyone is talking about e-commerce, will the economic meaning of e-commerce, which has come to a stop, not be rewritten in a world where production and logistics have literally stopped?

We all have to keep up with this new situation together. Although we are slightly worried, we have followed the measures, and we have protected our personal health and made sure our businesses survive this situation with minimal damage. I would like to emphasize that these two issues are also complementary to one another. If we fail to achieve the latter, the deteriorating business health can turn into chaos and a social breakdown.

I also think that the sharing of experience by the World Turkish Business Council (DTIK), which operates under DEİK, is also extremely important. With your permission, I would briefly like to talk about DTİK. DTİK is the business council of our diaspora. It is an active platform of ours which brings together business-people, academics, athletes, artists, professionals and NGOs.

Our members' ethnicities, beliefs, social lives and political views are not an obstacle for our unity, but on the contrary, it is our side that further strengthens our strength. Our only common point is our love for our homeland. Our diaspora is an important achievement for us. It is an important point of view to consider our diaspora not as a "brain drain" but as a "brain gain."



## Prof. Gökhan Hotamışlıgil

Harvard University JS Simmons  
Professor of Genetics and Metabolism

We can define coronavirus as an unfamiliar member of a familiar virus family. This pandemic appeared as an outbreak experienced every 100 years. Although some countries have not disclosed, we are aware that this virus is now seen in all countries around the world. The number of cases has reached 1.5 million and a thousand people have lost their lives, and the number of people recovering is around two hundred thousand as far as we know.

These numbers do not reflect the complete truth since there is a huge testing problem all over the world. To explain this virus by comparing it with a few diseases, measles has an enormous contagiousness compared to coronavirus, but its deadliness is very low compared to Covid-19.

Someone infected with Covid-19 can infect a maximum of two people, according to our current knowledge. This is very low for measles but very high for seasonal flu. Its deadliness is low when compared to outbreaks such as MERS and SARS; but very high when compared with the flu. Considering these facts, we can say that the spread profile of the virus is very different.

Another difference from SARS and MERS is its contagiousness before the symptoms appear. Although SARS was much more deadly, contagiousness began with the appearance of symptoms. Thus, its isolation and quarantine would be managed more successfully.

The lack of a drug and vaccine can be considered among the main causes of our vulnerability.

We live in a time where the world is very interconnected. This is a problematic period of the developed world – the BREXIT problem, future concerns of the European Union, information pollution, disinformation and scientific erosion are all there.

Pandemic is not an easy problem to resolve and brings together many uncertainties. Human and management factors can change the parameters. We were not adequately prepared. Preparing for such situations was considered to be unnecessary.

As for the lessons to be learned, the key lessons are the importance of science and competence in state administration. It seems infeasible to meet distant dangers with today's measures. The states have to invest in this area. For example, climate change - such dangers should now be considered in the short-term measures in our lives.

In many countries, we see slogans such as "The problem is global, but the solution is national" stand out. Such slogans may be useful for mobilizing the public, but the fact is that the problem is global and the solution must be global too.





I think that international cooperation will be important in the future. It is obvious that people tend to forget what has happened to them, and economic pressure will determine whether this will take place.

Although I am a basic scientist, I still work at a public health school. I think that the importance of public/community health, which is a pushed-back discipline, will increase after the outbreak. It is important to conduct studies and make investments against emerging diseases.

Investments made to military devices in the world can now be turned into medical device investments. This process shows the world that a biological means is much more effective than missiles, bombs and all battle vehicles. I think it is of great benefit to pay attention to this subject due to the practical progress of science.

It is helpful to consider the short-term and long-term effects of models. There are models that show that the second and the third wave will be stronger while other models show that it will be much more controlled. Economic, social, political, administrative and scientific approaches based on saving only today may be much more costly to us in the short term. This is not a problem that can be solved at once. For this reason, it is necessary to plan the mentioned approaches correctly.

The American health system already had great problems before this outbreak. Due to the high cost, capacity is always kept at the minimum limit. Hospitals operate at 95% and above their average capacities. In other words, due to the high cost, they have a system based on surviving in the health system without producing additional capacity. When compared to other developed economies, the number of physicians and the number of beds is very low. There is a huge inequality in the system.

There are problems based on the huge economic openness, cost and capacity relationship in the health system. It also creates the problem of reduced effectiveness. With this epidemic, we see that the problems in the system are very dramatically reflected on human health.



Frankly, I do not know if reform can be achieved in the American healthcare system after the outbreak. It will surely be raised; we have elections ahead of us. However, the correlation between health systems and solutions are very weak. For example, in Italy, there is a social health system, more beds and intensive care unit capacity per person, but we all see their current situation. I personally think that the system must change. I am currently a professor at Harvard University, but if I were to need gloves or a mask, I don't have them.

There are also points that I am very optimistic. The speed at which information generated about the virus spreads is enormous. The genetic map, protein map and interaction status of the virus were identified at a record rate. The antibodies have been identified and a map about how they are activated on the virus has been published. Besides, faster and innovative vaccines can be produced since it is an RNA-based virus. There is a record number of companies dealing with this. Having a large number of patients enables clinical tests to be performed quickly and effectively.



There is a saying- "the strength of a chain starts from its weakest link." Every country plays a decisive role. We cannot predict time, but I anticipate that this process will take between one year and eighteen months. Of course, finding the drug will completely change the game. We must adopt several methods until we find it.

With the dissemination of the serological tests, people who have survived this but do not know that they have survived will be able to return to their normal lives. It should not be forgotten that it will create a psychological and social trauma. Therefore, these returns must be carried out gradually over time.

I see the possibilities of all countries overcoming the virus with the simultaneous and vigorous measures and adopting the herd immunity method as two different ends and I think they are not possible scenarios.

I do not believe that we will move to a society structure that is completely sterile and does not come into contact with anyone.

## **IS THE VIRUS FORMED IN LABORATORY SETTING?**

There is no scientific evidence about this issue. There are detailed studies; the entire genetic structure of the virus is now revealed letter by letter. Information from the most reliable sources never support that the virus is an artificial or manipulated virus. I do not think that it is necessary to pursue such a possibility and spend time with conspiracy theories.

What steps must Turkey take urgently? The following steps are highly important. Of course, it is highly important to raise the investment made in science and competence by both state and universities, to establish centers to combat epidemic diseases and to train personnel.



## Prof. Daron Acemoğlu

Massachusetts Institute of Technology  
Professor of Economics

The outbreak will have profound effects on the economy. Contribution of the people who are infected with the virus to the economy is lost. Due to the measures taken in the U.S., 50% of the population no longer contributes to the economy. It means that economic activities have decreased by nearly 30%. There is a large decrease in the demand as well as a disruption in the supply side.

In a normal recession in the history of the U.S., three percent of the companies go bankrupt. As the pandemic spreads all over the world, it will affect the supply chain and this effect will deepen. If the people who supply the materials go bankrupt, it may stop the system.

Handling the pandemics is very difficult in terms of social, economic and political competencies, but it can be taken under control. The most important point to achieve this control is to maintain social distance. If you do not maintain this, it will increase exponentially and your capacity to interfere with the sick population is lost. The reason why life has almost returned to normal in China is because they took this measure very strictly.

We have seen that, if the social precautions are increased between the state and non-governmental organizations through new technologies like China, South Korea, Singapore and Taiwan, the economy may quickly return to normal. It is not an easy way, but it is possible.

Of course, we see that it works in the first wave. We are not sure whether these measures can be applied in the second and third waves, and what results they will yield.

There are many different dynamics in spreading in the world. Although we are experiencing a difficult period, there is hope socially and politically. There is also hope epidemiologically. These are the things we can achieve by organizing, working, understanding and acting.

The global, social and political system cannot remain unchanged. We realize that government agencies around the world are not working very well. There are large gaps in the healthcare system. More importantly, the role of the state in the economy and social life has increased a lot. Even in China, it has overcome the former pressure situation. It had to be done much faster this way in the U.S. as well.

We see two aspects of globalization. Without globalization, a virus from China would not travel the world so fast. At the same time, scientists from many nations were able to come together for the same goal thanks to globalization.



Europe experienced similar problems after the Second World War. At that time, there was great state control over taxes in the economy. Economic uncertainties were at a very high level, especially after the Great Depression. Many countries had started planning to establish a welfare state. The working and producing conditions of the day were set with a board established in England.

Economist Friedrich Hayek wrote a book in response to these rules and defended his thesis that "if the state increases the economic power, democracy will weaken." But as in the example of Sweden, we see that this can be falsified. It was seen that it would be possible to establish a much better welfare state, to establish a much better health system and to have much more democratic institutions. Civil society also participated in democracy more in the face of the conformity of these rules and there emerged a democratic deepening.

We see the most prepared countries are South Korea and Taiwan. And again, we see that these results were obtained through the establishment of the right ties between the state and civil society, through technology companies that ensure the proper functioning of these ties.

How we use this period is in our hands. If we say that the state must be totalitarian like China, it would be true. If we say, we will achieve the most correct conclusions through an active civil society like Taiwan and South Korea, it is up to us.

## **WHAT IS THE CRISIS WAITING FOR THE WORLD AFTER THE PANDEMIC? HOW WILL THE EXCESSIVE LIQUIDITY AFFECT THE GLOBAL ECONOMY?**

The Fed's policies are the continuation of the policies that began already in 2008 when the global crisis started. Of course, much faster and more effective policies need to be implemented because the 2007-2008 crisis was nothing in the face of this outbreak. The current budget is two trillion dollars and more budgets are to be added later, so we can understand its importance based on these facts.

We need to consider this not short-term, but medium-term. Monetary policy, tax and expenditure policies should change dynamically. The supply chain must be



strongly supported. For example, we need precautions such as companies not paying taxes or the state paying the wages which the companies fail to pay.

At least, part of the economy needs to be re-run slowly, and recovered patients need to return to work. Social distance policies need to be implemented for another one to two years.

This will have huge effects on globalization. The virus is just entering Africa, Turkmenistan is uncertain. Even if you control it in the U.S. and Europe, it is possible to come back in the second wave from unfamiliar geographies. It will affect those with a weak immunity again.

The relation between the state and the economy will change. The virus poses one of the biggest problems. It shows that the competence is decreasing. We need to develop much more competence for medical conditions and intervention in economic activities. The reason for the Fed's quick and correct intervention is less external impact.

In fact, the recommendations for Turkey, just as with healthcare recommendations, are the same as the recommendation to be made to Europe or other countries. It is very important to reduce the pressure on companies and labor. Like the Fed's "unlimited" reaction, all countries should create similar budgets.

Strengthening the healthcare system and giving importance to saving human life should be the first priority. It is essential to use the right human resources.



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