

MP-IDSA *Backgrounder*

COVID-19 in Non-GCC Countries: An Overview

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Summary

With tens of thousands infected and thousands of lives lost, it is clear that COVID-19 will exacerbate governance failures and deepen economic cleavages across the West Asia region including the non-GCC countries. The restriction on economic activities will multiply health-financial crisis, international debts, unemployment, and inflation rate. It is time nations bury past enmities and join forces against the pandemic and cooperate with the international community in mitigating the economic challenges.

The COVID-19 has affected West Asia hard amidst ongoing wars, civilian and sectarian conflicts, and political unrest and economic challenges facing the region. At least 13 Islamic countries – namely Iran, Turkey, Iraq, Lebanon, Palestine, Jordan, Syria, the United Arab Emirates (UAE), Saudi Arabia, Kuwait, Bahrain, Qatar and Oman – have witnessed an increasing number of confirmed cases and fatalities, with Iran reporting the largest number of casualties in the region. The World Health Organisation (WHO) has described the situation as “deeply concerning” and “alarming by the level of spread and severity.”¹

On March 11, 2020, the WHO declared COVID-19 as a pandemic. The virus has since infected more than five million and killed over 3.49 lakh people. Several countries in West Asia have adopted unprecedented measures to contain the spread of COVID-19. Governments have shut down flights, closed offices and educational institutions, locked public venues, and restricted the interstate travel. Restrictions on large-scale public prayers at mosques or streets, including the *Umrah*, a year-round pilgrimage to Mecca, have also been put in place.

This backgrounder provides an overview of the economic impact of the pandemic in five Non-Gulf Cooperation Council (GCC) countries – Iran, Turkey, Iraq, Lebanon and Jordan – facing severe health and financial crisis. The pandemic continues to amplify the crisis, making it hard for the governments to cope with it individually. In the absence of a coordinated effort at the regional level, the road to economic recovery will be long and uneven. It is also difficult to properly assess the full impact of COVID-19 in countries such as Syria and Yemen which remain in a state of civil war.

Iran

Iran was among the first countries to be affected by COVID-19. However, the presence of coronavirus in the country was not acknowledged until February 19, 2020, given the anniversary of the Islamic Revolution on February 11 and the parliamentary elections on February 21. The government officially announced the first death from coronavirus on February 20 in Qom. It was believed that imposing restrictions on either of the public events would undermine the government’s position, which was already under pressure given the unilateral sanctions reimposed by the United States (US). Rather than taking necessary precautionary measures, the Iranian Government announced that the US was exaggerating the impact of COVID-19 to discourage the voters and vowed to punish anyone spreading rumours about the pandemic.² However, still, only 43 per cent voted, the lowest ever since the Islamic Revolution. Within no time, the virus infected a large number of people and caused thousands of deaths. As

¹ [“WHO Director-General’s Opening Remarks at the Media Briefing on COVID-19”](#), World Health Organisation, March 11, 2020.

² Graeme Wood, [“Iran Has Far More Coronavirus Cases Than it is Letting On”](#), *The Atlantic*, March 09, 2020.

of May 26, there were 137,724 confirmed cases of coronavirus in the country, with 7,451 deaths.³

Nonetheless, on March 08, Tehran announced remedial measures like partial lockdown of cities, financial assistance for affected families and businesses, temporary release of political prisoners from jails, and a ban on exports, particularly of the medical goods and services due to the increasing domestic shortage.⁴ The Supreme Council mobilised 300,000 Islamic Revolutionary Guard Corps (IRGC) and Basij paramilitary force and also firefighters to set up roadblocks, test citizens, and sanitise public areas.

Following the US withdrawal from the Joint Comprehensive Plan of Action (JCPOA) and the reimposition of sanctions, Iran's economy shrunk by 8.7 per cent.⁵ Its oil market plunged from 2.8mbp to a few hundred thousand, affecting the country's budget revenue up to 40 per cent.⁶ The lockdown will likely shrink it further, creating new challenges for the leadership of the country. President Hassan Rouhani is already struggling to strike a balance between the need for lockdown and keeping the economy from collapsing.⁷ According to the World Bank, Iran is heading towards 0 or 0.9 per cent GDP growth in 2020, and one per cent in 2021-2022. Similarly, as per the latest United Nations (UN) estimates, the economy will continue to contract by 2.7 per cent in 2020 and 1.2 per cent in 2021 due to the added implications.⁸

With Iraq and Turkey closing their borders to prevent the spread of the virus, Iran is facing a major disruption in the supply value chain, particularly in the agriculture, industry and service sector. The agriculture sector is one of the most important sectors of the Iranian economy. In 2019, the sector contributed to 17.2 per cent of the employment, which is around nine to 10 per cent of GDP.⁹ Iran exports most of its agro-based products like saffron, kiwi and pistachios to the neighbouring countries as well as Europe. Iran's industry and service sector contributes to at least 89 per cent of the country's GDP, employing 83 per cent of the population. Its tourist industry saw 27.9 per cent growth in 2019,¹⁰ contributing \$11.8 billion to the country's GDP.¹¹

The situation in Iran is further compounded by the continuing US sanctions. Countries like China, Russia, Germany and France as well as several international

³ [“Coronavirus Disease \(COVID-19\): Situation Report – 127”](#), World Health Organisation, May 26, 2020, 10:00 CEST.

⁴ [“Iran Gov't Remedial Measures to Soften COVID-19 Impact”](#), *Financial Tribune*, March 08, 2020; Parisa Hafezi, [“Iran Temporarily Frees 85,000 From Jail Including Political Prisoners”](#), *Reuters*, March 17, 2020; and [“Iran Bans Export of Medical Products Over Coronavirus Outbreak”](#), *Tehran Times*, March 10, 2020.

⁵ [“World Bank on Iran: No Growth Until 2021”](#), *Financial Tribune*, January 11, 2020.

⁶ [“Why Coronavirus Could Hit Iran Harder Than US Sanctions”](#), *Financial Tribune*, March 21, 2020; and [“Iran Unveils ‘Budget Of Resistance’ Against US Sanctions”](#), *Al Jazeera*, December 08, 2019.

⁷ [“As Iran Coronavirus Deaths Rise, Rouhani Hits Back at Criticism”](#), *Al Jazeera*, March 29, 2020.

⁸ [“UN Forecasts Iran's Economy to Shrink 2.7% in 2020”](#), *Financial Tribune*, January 31, 2020.

⁹ [“Iran - Employment in Agriculture \(% of Total Employment\)”](#), *Trading Economics*.

¹⁰ [“Iran Third Fastest Growing Tourism Destination in 2019: UNWTO”](#), *Tehran Times*, February 04, 2020.

¹¹ Nazrin Gadimova, [“Iran, Azerbaijan & Kazakhstan Ranked World's Fastest Growing Tourist Destinations”](#), *Caspian News*, February 11, 2020.

bodies have urged the US to roll back its deep economic sanctions.¹² Many countries have stepped up their support to Iran amid a shortage of medical supplies and services. For instance, China has sent medical experts and supplies to Iran.¹³ Britain, France and Germany have pledged US\$ 5.6 million as well as medical goods including equipment for lab tests, protective body suits and gloves.¹⁴ Regional countries like Kuwait, the UAE and Qatar have also provided aid and assistance, setting aside their differences with Iran.¹⁵ However, the rapid outbreak of the pandemic and the detrimental sanctions have only added to Iran's healthcare challenges.

Turkey

Turkey has surpassed Iran in the region in terms of the number of confirmed cases of COVID-19. As of May 26, there were 158,762 confirmed cases in the country, with 4,397 deaths.¹⁶ Reports indicate that "the initial days of the outbreak were worse than what Italy experienced."¹⁷ This is because President Recep Tayyip Erdogan had initially downplayed the threat. He imposed limited curfew which proved to be ineffective as millions continued to use public transports in various cities, especially the business hub Istanbul. As the cases began to spike, the government swung into action but it was too late by then. Ankara announced the recruitment of additional 32,000 health workers, production of mass ventilators, and assistance worth six million Turkish lire (US\$ 940,000) to small and medium enterprises producing the required medical equipment.¹⁸

Other economic measures included a decrease in tax, postponement of debt payment, and US\$ 15 billion aid package to various sectors like automobile, textile, malls, insurance, etc.¹⁹ The government also established field hospitals at its border gates with Iran and Iraq and established an operations centre and a scientific committee under the Ministry of Health to monitor the situation.²⁰

Following the economic turbulence in 2018, the Turkish economy recovered in the latter half of 2019, growing at the rate of five per cent in the fourth quarter.²¹ To mitigate the economic impact of the pandemic, the central bank cut its key interest

¹² Kimberly Dozier and John Walcott, ["Trump's Iran Gamble: Will 'Maximum Pressure' and COVID-19 Bring Tehran to the Bargaining Table?"](#), *Time*, March 27, 2020.

¹³ ["China Sends Medical Experts, Supply Aid to Iran"](#), *CGTN YouTube*, March 08, 2020.

¹⁴ ["Europe to Help Iran on Coronavirus"](#), *The Iran Primer, USIP*, March 26, 2020.

¹⁵ Laura Rozen, ["Coronavirus Spurs Regional Humanitarian Outreach to Iran"](#), *Al-Monitor*, March 18, 2020.

¹⁶ ["Türkiye'deki Güncel Durum"](#), *Turkish Ministry of Health*, May 26, 2020.

¹⁷ Cengiz Candar, ["Turkey and COVID-19: Is Another Italy in the Making?"](#), *Al-Monitor*, March 26, 2020.

¹⁸ ["Turkey Supports SMEs Against Effects of COVID-19"](#), *Anadolu Agency*, March 25, 2020.

¹⁹ ["Turkey Launches \\$15.4B Aid Package to Fight and Weather Impact of Covid-19"](#), *TRT World*, March 18, 2020.

²⁰ Merve Şebnem Oruç, ["Turkey's Fight Against COVID-19 Includes Self-Isolation, Travel Bans, Economic Stimulus"](#), *Daily Sabah*, March 20, 2020.

²¹ Behiye Selin Taner and Daren Butler, ["Turkish Economy Returns to Growth, Government Eyes Acceleration in 2020"](#), *Reuters*, December 02, 2019.

rate by 100 basis points and took steps to support volatile financial markets.²² But the country still suffers from the high budget deficit, fragile financial system and low-level foreign exchange reserves. It cannot also seek support from the European Union (EU) – its major import and export partner and source of foreign direct investment – as the continent itself is witnessing a massive outbreak and economic meltdown. The economic crisis in Europe could adversely impact the Turkish economy especially its manufacturing sector in the long-term.

Turkey exports more than one-third of the 21.4 million tons of steel it produces to the EU.²³ However, the US imposition of additional tariffs on its steel and iron industry, following a diplomatic spat between Ankara and Washington in 2018, has affected the productivity and trade. In 2019, Turkey's steel exports to the US and the EU dropped by nearly 2.7 million tons.²⁴ The sector may undergo a further drop in 2020. Besides, Ankara has many armaments manufactures. Its annual export grew by two per cent, estimated around \$180.46 billion in 2019. Turkey is targeting \$190 billion by 2020, which seems to be a challenge given the global spread of the pandemic.²⁵

Other sectors such as tourism, transportation and aviation will also be affected due to the pandemic. In 2019, Turkey attracted at least 51.9 million tourists, a rise of 13.7 per cent from the previous year,²⁶ earning up to \$34.5 billion.²⁷ The country is expected to generate \$40 billion in 2020, which now seems unachievable. Moreover, its transportation and aviation sectors which saw a net profit of over Turkish Lira 2.5 billion in 2019 is expected to lose close to \$100-200 million this year.²⁸ Turkey's industrial, mining and quarrying, and manufacturing and other sectors that registered growth in the last quarter of 2019 may also suffer due to the pandemic. As a result, it is said that Erdogan's expectations to see the economy grow by 3.5 per cent in 2020 may not materialise.²⁹

Iraq

The number of infected cases in Iraq is low compared to neighbouring Iran and Turkey. As of May 26, there were 4,632 confirmed cases, with 163 deaths.³⁰ However, the

²² [“Turkey's Central Bank Says Will Use All Tools to Counter Coronavirus Impact”](#), *Daily Sabah*, March 27, 2020.

²³ Ceyda Caglayan, [“Turkey's Steel Sector Could Face Losses After Cuts to EU Quotas: Industry Chief”](#), *Reuters*, September 16, 2019.

²⁴ [“Turkish Steel Exports to US, EU Dropped in 2019 Due to More Tariffs”](#), *Hellenic Shipping News*, January 28, 2020.

²⁵ [“Turkey Targets \\$190B in Exports in 2020”](#), *Daily Sabah*, January 09, 2020.

²⁶ [“Record Number of Tourists Visit Turkey in 2019”](#), *Hürriyet Daily News*, January 31, 2020.

²⁷ [“Turkey's Newly Recovered Tourism Industry Hurt by Coronavirus”](#), *Daily Sabah*, March 15, 2020.

²⁸ [“Turkish Airlines Posts Over TL 2.5B Net Profit in First 9 Months”](#), *Daily Sabah*, November 08 2019; and Menekşe Tokyay, [“Sivil havacılıkta Covid-19: Sefer iptalleri, ücretsiz izin ve isten çıkarmalar...THY ne durumda?”](#), *Euronews*, March 19, 2020.

²⁹ Kagan Koc, [“Erdogan Locks in on Chasing Growth that Turkey Saw Before Crisis”](#), *Bloomberg*, September 05, 2019.

³⁰ [“Coronavirus Disease \(COVID-19\): Situation Report – 127”](#), *World Health Organisation*, May 26, 2020, 10:00 CEST.

government is worried as the country's healthcare system has suffered on account of prolonged conflict and violence. According to the Iraqi Red Crescent, around 50 per cent of Iraq's doctors and 70 per cent of medical specialists left the country in the mass exodus that followed the war in 2003 and later as the Islamic State of Iraq and Syria (ISIS) made advances in 2014.³¹

Iraq reported its first confirmed case of COVID-19 on February 22 in Najaf.³² It has since implemented extreme measures including suspension of training exercises with the US-led coalition force³³ and establishment of a crisis unit to develop a comprehensive programme to deal with the pandemic.³⁴ However, there have been reports of people refusing to abide by the preventive measures undertaken by the government.³⁵ On March 20, more than 400,000 pilgrims gathered in Kadhimiya District, north of capital Baghdad, where the seventh Shia Imam is buried.³⁶ This was despite the Iraqi Ministry of Health and Environment hinting at a "possible calamity" if such religious gatherings continued amid the outbreak. The Baghdad Operation Command too had warned the residents to abide by the curfew imposed or face severe consequences.³⁷

The COVID-19 crisis has only brought more pressure on Iraq's already fragile economy and deteriorating public services, both of which have led to several protests across the country. Meanwhile, the lockdown has not only badly affected the small and medium enterprises but also the import of essential goods and services especially from China, Iran, Turkey, South Korea and Brazil.³⁸ The government is yet to announce an aid package. While the US has pledged \$670,000 to help Iraq fight the pandemic, it may be insufficient given the magnitude of challenges facing the country.³⁹

Iraq also lost half of its financial revenues with oil prices dropping to \$30 per barrel.⁴⁰ According to a leading economic expert, Mazhar Mohammad Saleh, "99% of Iraq's budget relies on oil exports."⁴¹ In fact, its proposed 2020 budget of \$135 billion and the deficit amount of \$40 billion was calculated based on the oil-selling price of \$56

³¹ ["Exodus of Medical Staff Strains Iraq's Health Facilities"](#), *US National Library of Medicine, National Center for Biotechnology Information*, April 28, 2007; and ["Mass Exodus from Iraqi Towns and Cities as ISIS Advance Prompts Panic"](#), *Amnesty International*, August 07, 2014.

³² ["Iraq Announces 1st Case of COVID-19 in Najaf"](#), *China Daily*, February 02, 2020.

³³ ["U.S. Coalition Suspends Iraq Training Over Coronavirus"](#), *Reuters*, March 19, 2020.

³⁴ ["ان تقادات يثير العراق في كورونا أزمة لخدمية مسرب في يديو"](#), *BBC Arabic*, March 09, 2020.

³⁵ ["التجوال حظر خرق تداويات من مواطنيه يهتخر العراق.. كورونا"](#), *Anadolu Agency*, March 19, 2020.

³⁶ ["Iraq: Pilgrimage Continues Despite Coronavirus Pandemic"](#), *Al Jazeera YouTube*, March 22, 2020.

³⁷ ["التجوال حظر بشأن جديد اب باتا ت صدر ب غداد عمليات 2020. العراق لية السومرية قناه"](#), *Al Sumaria TV*, March 23, 2020.

³⁸ ["OEC - Iraq \(IRQ\) Exports, Imports, and Trade Partners"](#), *The Observatory of Economic Complexity*.

³⁹ ["U.S. Provides Additional Assistance to Iraq to Respond to Novel Coronavirus COVID-19"](#), *US Embassy & Consulates In Iraq*, March 25, 2020.

⁴⁰ ["البلاد إيرادات نصف وخسارة دولاراً 30. دون الذي العراقي النفط انخفاض"](#), *Rudaw*, March 14, 2020.

⁴¹ ["كورونا في بروس ت فشي وسط النفط أسعار انخفاض عن معرفته ي جب ما كل"](#), *CNN Arabic*, March 10, 2020.

per barrel.⁴² This price has been almost halved and is likely to further reduce in the days ahead. Government statements suggest that Iraq will comply with its 4.5 mn bp under the Organisation of the Petroleum Exporting Countries (OPEC)-led production cuts in September 2020, but social unrest and political upheaval clubbed with the current outbreak may prevent the country from meeting its targets in 2020.⁴³ Most of the Iraqi budget goes to the salaries of the seven million operating expenses.⁴⁴ Though Iraq's economy had rebounded in 2019 after two years of contraction at 4.8 per cent of its GDP growth, mainly attributed to the rise in crude oil production, the World Bank projected growth of 5.1 per cent in 2020 appears impossible in the current scenario.⁴⁵

Lebanon

In Lebanon, COVID-19 has managed to do what various political and sectarian crisis could not, which is the closure of borders and airports, and the public and private sector.⁴⁶ The outbreak has simmered down the anti-government protests that had engulfed the country since October 2019. However, there are reports suggesting attempts to reboot the once-boisterous demonstration via social media using online conferences.⁴⁷

Beirut is currently suffering from one of the worst economic and fiscal crisis since its independence in 1943. It is officially one of the most indebted nations in the world.⁴⁸ Prime Minister Hassan Diab, whose government is negotiating the debt restructuring, has stated that the country's debt has reached \$90 billion or 170 per cent of GDP.⁴⁹ The ongoing economic crisis has led to the devaluation of the national currency by more than 40 per cent.⁵⁰ The country is teetering on the edge of bankruptcy, with spiked inflation and thousands having lost their jobs or wages slashed.⁵¹

The pandemic has only exacerbated the already difficult situation for the Lebanese people. In March, the government declared a 'state of medical emergency' amid the

⁴² Mustafa Saadoun, ["Is Another Economic Crisis Looming in Iraq, With Dropping Oil Prices?"](#), *Al-Monitor*, March 26, 2020.

⁴³ ["Iraq Current Account Surplus to Decline on Lower Energy Prices"](#), *Fitch Solutions*, September 12, 2019.

⁴⁴ [مليون 6.5 بـ لغ والم تقاعدين الموظف بين عدد: المالية وزير](#), *Al Mada Paper*, March 13, 2020.

⁴⁵ ["Iraq's Economic Update - October 2019"](#), *The World Bank*, October 09, 2019.

⁴⁶ Timour Azhari, ["Lebanon 'To Declare State of Medical Emergency' Over Coronavirus"](#), *Al Jazeera*, March 15, 2020.

⁴⁷ Sarah Abdallah, ["Lebanon Struggles to Cope With COVID-19 Amid Financial Crisis"](#), *Al-Monitor*, March 14, 2020.

⁴⁸ ["Lebanon to Default on \\$1.2 Billion Loan Payment Amid Financial Crisis"](#), *Daily Sabah*, March 10, 2020.

⁴⁹ Bassem Mroue and Zeina Karam, ["Coronavirus Delivers Tough Blow to Lebanon's Dying Economy"](#), *Associated Press*, March 26, 2020.

⁵⁰ Michal Kranz, ["Poverty Set to Deepen With Lebanon's Economic Crisis"](#), *Al Jazeera*, January 28, 2020.

⁵¹ ["Job Losses and Pay Cuts as Lebanon's Economy Crumbles"](#), *The Daily Star*, November 29, 2019.

COVID-19 outbreak.⁵² As of May 27, there were 1040 confirmed cases of coronavirus in the country, with 26 deaths.⁵³ Most of the country's public and private hospitals lack doctors, staffs, ventilators, masks, protective gears, medicines and other essential drugs. The government is also not in a position to reimburse public and private hospitals bills including National Social Security Fund and Military Health Funds. It owes private hospitals an estimated US\$ 1.3 billion unpaid bills.⁵⁴ At present, there is only one public hospital, the Rafik Hariri University (RFUH), that is used to quarantine and treat COVID-19 patients for free.

However, medical students and citizens have volunteered to join the fight against the pandemic. The Lebanese Red Cross (LRC) and other agencies have provided ambulance services, 300-trained emergency medical technicians and 520 volunteers trained in COVID-19 awareness.⁵⁵ It has been reported that as many as 25,000 people are being mobilised to bolster the state response to the virus. On March 12, the World Bank allocated \$39 million for the country to prepare its public hospitals to confront the outbreak.⁵⁶ The WHO has shipped protective gears for the doctors in Beirut.⁵⁷ On March 15, the Chinese Ambassador to Lebanon stated that China will offer more donations to Lebanon besides what has already been provided.⁵⁸

Given the situation, the economic impact of COVID-19 on Lebanon appears beyond repair. Though the IMF had projected growth of 0.2 per cent in 2020 and 0.9 per cent in 2021, the Lebanese GDP will likely contract by at least one per cent this year.⁵⁹ Its mostly self-employed and informal workers, general and luxury retail businesses, and the hospitality and transportation sectors have been among the worst affected.

Tourism has been one of Lebanon's leading sectors, generating 144,300 direct jobs in 2018 (18 per cent of the country's employment) and contributing 18 per cent of the GDP, the second-highest ratio in West Asia.⁶⁰ It was one of the fastest-growing sectors with an average annual growth rate of 10 per cent every year. Though this growth

⁵² Timour Azhari, no. 46.

⁵³ [“Lebanon Coronavirus \(COVID-19\) Emergency”](#), *Lebanon info Center*, May 27, 2020, 06:00 AM GMT.

⁵⁴ [“Lebanon: Hospital Crisis Endangering Health”](#), *Human Rights Watch*, December 10, 2019.

⁵⁵ [“‘Better than Switzerland’: Why Lebanon’s Drastic Coronavirus Response is Succeeding in Flattening the Epidemic Curve”](#), *The New Arab*, March 17, 2020.

⁵⁶ [المنظمات من وطلب مجازا الا تردت سرعة ومضاعفة المصدته فيات لتجهيز الدولي البنك من قرض تحرير قرار الوزراء مجلس](#), *National News Agency, Lebanese Government*, March 12, 2020.

⁵⁷ Eric Knecht, [“‘Now We Have Corona’: Cash-Strapped Lebanon Navigates New Crisis”](#), *Reuters*, March 05, 2020.

⁵⁸ [“China Willing to Offer More Donations to Lebanon for Fighting COVID-19: Ambassador”](#), *Xinhua*, March 16, 2020.

⁵⁹ [“IMF Sees Lebanon GDP Growth at 0.2 Pct”](#), *The Daily Star*, October 16, 2019.

⁶⁰ [“Tourism Sector in Lebanon: 2019 Factbook”](#), *Investment Development Authority of Lebanon (IDAL)*, 2019; and [“The Economic Context of Lebanon”](#), *Nordea*, April 2020.

slowed down in 2019 during the anti-government uprising, it revived after a couple of months only to suffer a backlash due to the pandemic.⁶¹

Lebanon's industrial sector contributes more than 8.3 per cent of GDP.⁶² The agro-based food sector is a major contributor to Lebanon's industrial growth and is expected to continue to play a major role in the economy. In 2019, the agro-based products accounted for 11.7 per cent of the total exports and 12.4 per cent of the industrial exports.⁶³ Overall, exports estimate stood at \$3.7 billion, accounting for 95 per cent of the total Lebanese exports.⁶⁴ The sector has incurred heavy losses due to the shutdown.

According to the renowned economist Elie Yachoui, the coronavirus effect on the Lebanese economy will be more catastrophic. The middle class will be extinct and they will be the new poor. More than 80 per cent of the population is likely to suffer due to poverty. Only five per cent of families will be able to retain the same level of consumption.⁶⁵ The country desperately needs an immediate influx of at least \$25-30 billion over the next four to five years, to patch the cavernous trade deficit.⁶⁶

Jordan

On March 2, Jordan confirmed its first case of COVID-19.⁶⁷ As of May 26, there were 718 confirmed cases in the country, with nine deaths.⁶⁸ In April, an indefinite nationwide lockdown came into effect after people failed to comply with the government's initial directives to curb the spread of COVID-19. It issued a warning stating lack of compliance may lead to a fine of US\$ 140 and even immediate imprisonment.⁶⁹ King Abdullah, for the first time in the Jordanian history, activated the 1992 Defense Law, giving the government sweeping powers to enforce a "state of emergency." The government has since announced an aid package of 16 million dinars (US\$ 22 million) for its citizens in the form of food and medicines.⁷⁰ The government also approached the IMF for a \$139.2 million loan as it explored ways and means to help the farmers.⁷¹

⁶¹ Aj Naddaff, "[Lebanon's Vital Tourism Industry Takes Huge Hit Amid Turmoil](#)", *ABC News*, December 20, 2019.

⁶² Cristiano Pasini, "[The UNIDO View on Lebanon's Industrial Sector](#)", *Executive Magazine*, December 18, 2018.

⁶³ "[Agri-Food Industry, 2020 Factbook](#)", *IDAL*, 2020.

⁶⁴ "[Lebanon: Trade Performance](#)", *IDAL*, 2020.

⁶⁵ Thomas Schellen, "[Lebanon's Economy and Industry Suffer Under Coronavirus Impact](#)", *Executive Magazine*, March 23, 2020.

⁶⁶ Lauren Lewis, "[Can Lebanon Afford a Coronavirus Shut-Down?](#)", *Middle East Monitor*, March 18, 2020.

⁶⁷ Zehra Nur Düz, "[Jordan Confirms First Coronavirus Case](#)", *Anadolu Agency*, March 02, 2020.

⁶⁸ "[COVID-19 Updates in Jordan](#)", *Jordanian Ministry of Health*, May 26, 2020, 08:28 PM.

⁶⁹ Amjad Tadros, "[Drastic, Early Action Seems to Keep a Lid on Jordan's COVID-19 Outbreak](#)", *CBS News*, April 01, 2020.

⁷⁰ [فريد با..ال فديرة والأسر ال سن وك بار المرضي جدد حكومية مالية إجراءات](#), *Al Ghad*, March 22, 2020.

⁷¹ Suleiman Al-Khalidi, "[IMF Approves \\$1.3 Billion Loan for Jordan, Adjusts for Coronavirus Expenses](#)", *Reuters*, March 26, 2020.

Jordan is already in a tight spot due to rampant poverty and high unemployment. The lockdown is an added pressure for the country's fragile economy. Jordan has taken several measures including a \$775 million economic intervention, dropping the main policy rate by 150 basis point,⁷² and reducing the cash reserves requirement from seven to five per cent.⁷³ It has also decreased the social security subscription ration for institutions and employees from 21.75 to 5.25 per cent.⁷⁴ More than 53 per cent of the country's workforce is engaged in informal sectors and is not covered by any of the social security schemes.

Since its uncertain how long the lockdown will last, it is difficult to speculate on the potential losses to the Jordanian economy. Every month, the treasury department spends 580 million dinars (\$818 million) to pay its civil servants, military, and civil retirees. A stimulus to safeguard private sector employees will be much higher.⁷⁵ The country also pays foreign lenders about 1.2 billion dinars (US\$1.7 billion) and local debts through government bonds are worth another five billion dinars (\$7 billion).⁷⁶ Moreover, Jordan hosts 750,000 refugees from 52 nationalities, with one-third of the budget spent on them.⁷⁷

Jordan's oil trade, tourism and the pharmaceutical industry are likely to be badly affected. The recent drop in the oil price means that the country's energy trade may decrease by about 50 per cent or \$16 billion in 2020.⁷⁸ In the tourism sector, Jordan attracted nearly five million foreign visitors in 2018. The sector contributes 19 per cent of the country's GDP, keeping more than 50,000 employed. The sector saw a nine per cent increase in 2019, accounting for more than 18 million dinars.⁷⁹ Moreover, Jordan is the only Arab country that leads in the pharmacy sector, a signature export industry that has contributed tens of millions of dollars to the country's economy. Jordan uses 25 to 30 per cent of its manufactured medicines while exporting almost 75 per cent to at least 60 countries.⁸⁰ The IMF predicted that the country's GDP would grow by 2.2 per cent in 2020.⁸¹ Following the lockdown amid the global outbreak, the figure no longer seems valid.

⁷² Nada El Sawy, [“Jordan Central Bank Measures Will Soften Coronavirus Impact on Lenders, Moody’s Says”](#), *The National*, March 21, 2020.

⁷³ Ibid.

⁷⁴ Ibid.

⁷⁵ Osama Al Sharif, [“Under Nationwide Curfew, Jordanians Now Ponder Economic Cost of Coronavirus”](#), *Al-Monitor*, March 23, 2020.

⁷⁶ Ibid.

⁷⁷ Lilly Carlisle, [“UNHCR Appeals for \\$27 Million to Help Refugees and Jordanians Combat Coronavirus”](#), *UNHCR Jordan*, March 31, 2020; and [“25% of Jordan's Budget Goes to Refugee-Related Costs”](#), *The Jordan Times*, March 31, 2016.

⁷⁸ Osama Al Sharif, no. 75.

⁷⁹ Maram Kayed, [“Jordan Pass a Hit With Tourists as Sales Soared in 2019 – Ministry”](#), *The Jordan Times*, January 18, 2020.

⁸⁰ [“Jordan is the Only Arab Country with Higher Pharmaceuticals Exports than Imports”](#), *Al Bawaba*, July 22, 2018.

⁸¹ [“Jordan’s GDP to Grow by 2.2% in 2020 — IMF”](#), *The Jordan Times*, January 09, 2020.

Prognosis

The COVID-19 pandemic has generated an unprecedented amount of uncertainty among the West Asian economies. As countries struggle to prevent the spread of the virus – implementing a wide range of social-distancing measures, lockdown of private and public sectors as well as making early fiscal interventions to stabilise the market – managing the immediate health crisis is critical for the economic stability of the broader West Asia region.

While keeping their differences aside, for the time being, some of the countries in the region could be seen cooperating though in a limited manner. The pandemic has only reinforced the need for a well-coordinated regional initiative especially in the health and research and development sector. For conflict-stricken countries in the region, it will be a challenging task to enforce preventive measures and provide necessary healthcare as the pandemic spreads. Efforts need to be made to push for a ceasefire or halt violence in such countries to ensure that humanitarian aid and assistance reaches to the most vulnerable sections of the population including refugees, migrant workers, and the internally displaced.

Economically, the preventive measures adopted by the countries in the region have deeply impacted their marginal sector workforce. The most long-lasting effects will be suffered by the countries where fiscal ability is limited due to the debt crisis. While some of the countries were quick to pass stimulus packages to stabilise the economy, they largely failed to stimulate job creation. Emerging markets and developing countries face additional challenges with unparalleled reversals in capital flow as global risk appetite wanes and devaluation, fiscal deficit and breakdown of supply chain increases.

The international assistance will remain highly limited due to the global nature of the pandemic. However, timely debt relief and economic packages could help in managing the pandemic more appropriately. Furthermore, there is a need for a more regional approach to deal with the long-term impact of COVID-19 on the West Asian economies. Formation of market unions or free trade between countries could also help in mitigating the economic challenges.

About the Authors

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