

The Collective International Actions Needed to Tackle the Pandemic and its Lasting Global Consequences

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Actions needed and not taken

Fifteen years or so ago, Tidjane Thiam and I co-chaired an International Task Force on Global Public Goods, which aimed first and foremost to show how crucial it was to get the international community organized to provide for some key goods that, being truly essential, and certainly non-rival and non-excludable, could not possibly be provided by one country or small group of countries alone. That is, they were also unquestionably global.

Our final report focused on just five **priority global public goods (GPG)**, of which our number one was none other than “**Preventing the emergence and spread of infectious disease.**”

We picked it to top our priority list, certainly because it is about human health but also because we realized that preventing and/or dealing with pandemics is a GPG with more complications than any other GPG. When trying to organize the provision of GPGs, the difficulties usually encountered are: countries’ reluctance to share any part of their own sovereignty; differing preferences and priorities; the summation problem; and, of course, the very tough free rider problem.

Dealing with pandemics has all of the above difficulties plus another, also a very tough one, namely the weakest link problem: success can be eroded or even wiped out by a single act of non-compliance. This implies that success in one country to control an epidemic is not really a sustainable success if others do not achieve a similar success. We put it simply: “Infectious diseases threaten the health of every person and the prosperity of every nation. National health defenses are inadequate and will not work in isolation.” We then proceeded to make a few recommendations that, as many others produced around the same topic over many years, were soon shelved and, as proven tragically by current events, totally forgotten.

Fighting this pandemic is the GPG par excellence. Yet, for the most part what we have seen since the disease was clearly detected to be highly contagious and spreading in January, is that the response to it has been national and unilateral. Other than feeding and receiving information from the WHO, in some cases tardily and deficiently, the indispensable global coordination and cooperation, particularly among governments, has been practically absent.

The list is really long of things that were known as necessary and that should have been done collectively, at what now looks to be a negligible cost, to prevent or at least enormously mitigate the COVID-19 pandemic – particularly after the EBOLA, SARS, and A-H1N1 episodes. But that's all in the past.

From today's dire situation, a minimum rectification of past omissions to deal with the health aspects of the pandemic would require at the very least what the group led by Gordon Brown urged the G20 to do a couple of weeks ago. Namely, to increase substantially the resources for: the WHO; the global research effort to develop and scale up vaccines for COVID-19; the provision of therapeutics; and, crucially, the support of countries with weaker health systems and vulnerable populations.

If it took itself seriously, the G20 should also act to stop the absurd zero-sum behavior prevailing in the international procurement of medical supplies needed to confront the pandemic. A myriad of import restrictions and exports curbs now in place are making it painfully more difficult and expensive for all health systems to deal with the medical emergency. The logic of effective collective action would dictate adopting a policy package like the one put forward recently by the Global Trade Alert that, among other measures, comprises the immediate elimination of tariffs and trade curbs, as well as all non-tariff policies and regulations that limit the import and export of COVID-19 goods, and in general facilitate the cross-border movement of COVID-19 goods and supply chain-related parts and components, as well as vaccines and medicines, including the data, ideas and intellectual property associated with their development.

Unfortunately, all of these necessary actions on global health cooperation look chimerical in light of what countries are doing in practice. This means that defeating the pandemic will be a longer and more expensive process – in human lives lost and economic cost – than would be required if it were tackled as a truly global public good in the national interest of all countries involved.

Dealing with the economic consequences of the pandemic also calls for unprecedented international cooperation that for the most part is conspicuous by its absence.

The essential nature of the economic shock caused by the pandemic should be well understood by now: To slow down and stop the contagion calls for a lockdown that keeps

people sheltered and forces the stoppage of numerous economic activities. This is the supply shock that is being endured already. This is one of those rare occasions in which governments must intervene to induce a severe slowdown in economic activity, while historically they are mandated and expected to do exactly the opposite. As the supply shock takes its course, total consumption and aggregate demand quickly shrinks.

The supply shock followed at once by the demand shock triggers a depressive spiral in the economy that must be stopped by drastic compensatory anticyclical policies without compromising the effectiveness of the lockdown; they must do it laser focused on the preservation of jobs and at least part of the income of the labor force. Every means must be harnessed to this end. Supporting jobs and income of workers is fiscally expensive, but a protracted depression would be fiscally much more onerous.

Of course, all of this is more easily said than done even in advanced economies with fiscal space and reasonable social safety nets, as shown by what has happened in recent weeks. The situation in emerging and developing economies is even more complex. Our countries are afflicted by many aggravating circumstances, not least our weak social insurance and the related fact that a high proportion of the labor force is employed in the informal sector of the economy where people are self-employed or precariously employed. This is certainly the case in most countries in my own region, Latin America, that as in the rest of the world, do have economies that are interdependent with the global economy and therefore are being severely affected by the widespread recession, the acute contraction of global trade, the collapse in the prices and volumes of commodity exports, the disruption and even destruction of supply chains, the volatility and extreme risk aversion in the international capital markets, the interruption of foreign direct investments, and the interruption of income from tourism services and migrant remittances.

It should be obvious that the free fall being experienced by the global economy nowadays could be confronted more efficiently if we had the mechanisms of international macroeconomic policy coordination that the G20 committed to implement back in 2009 and never did. But, again, this terrible failure is now history.

Making the current economic shock – pandemic permitting – a V experience rather than an elongated U or a tortuous step function, in addition to the good work that some central banks are already doing, would require not only masterful fiscal policies in each

developed country, properly synchronized with each other's, but also unprecedented cooperation to create a tide that also helps lift the disadvantaged emerging and poor economies of the world. There is no lack of ideas for the latter or the former. Unfortunately, there is not yet evidence of either one happening. The G20 remains in hibernation at best and last week's spring IMF/WB meetings passed with virtually no meaningful results.

Lasting global consequences

There are too many unknowns to dare making any prognosis about the long-term global consequences of the pandemic and its economic sequel. Those consequences will certainly depend on the human and economic toll that the epidemic ends up causing, but equally important on the way governments and societies deal with the shock as it happens and, very importantly, in its aftermath. If what has happened before and during this crisis so far were a straightforward predictor of the future circumstances, one would have to be extremely pessimistic. This tragedy has stricken us at a time when populist and authoritarian politicians have managed to be in power in countries of enormous geopolitical influence, the United States with President Trump being unfortunately the most conspicuous and consequential case in point. Trump and some of his foreign peers have thrived by undermining liberal democracy and trust in national government, attacking relentlessly international law, institutions and cooperation, and despising scientific knowledge. Populist leaders seem to believe that the crisis is manna from heaven to advance their political agendas and accelerate their projects of nationalism, isolation, autarky and xenophobia, in which a power-based system is substituted for the rules-based international system. They see COVID -19 as the last nail in the coffin of what they like to call "globalism". Unfortunately, their wish that the pandemic mark the end of modern globalization seems to be shared by other individuals of quite different political persuasions but who are also skeptical and even adversarial to globalization. Were these leadership patterns and thinking to prevail all the way to the aftermath of the pandemic, it would not be impossible to envision a dark age of international anarchy, deglobalization, bellicose confrontation and economic stagnation as the lasting legacy of the pandemic.

I like to think that a different outcome is possible. One in which, first, it becomes evident, sooner rather than later, how populist leaders, instead of rising to the challenge are terribly mismanaging the crisis. And this then leading to enlightened individuals taking their place who are persuaded by and persuasive of the value of international cooperation in the national interest of their own countries, favoring a process of recovery and reconstruction supported by a stronger rules-based international system.

