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Global Health Security

Covid-19: Time for Emergency G20 Summit

By Pradumna B Rana

SYNOPSIS

The ever-growing toll of the COVID-19 pandemic has led to a growing sense of helplessness and loss of confidence worldwide. Coordinated global responses and action plans, together with a clear statement of solidarity from an Emergency G20 Summit could go a long way in reducing these fears.

COMMENTARY

THE COVID-19 pandemic is not only a public health emergency but it has also resulted in a very serious economic crisis. In the past two months, the world economy has turned upside down. Stock markets have tumbled over a cliff.

In the United States, the Dow Jones Index has erased the “Trump Bump” ending below its level when the president took office. Most countries will surely experience an economic recession with high levels of unemployment this year. Some even talk of a Great Depression similar to the one of the 1930s.

Bold Policy Actions, but...

Extraordinary times require extraordinary policy actions. After a late start in some countries, monetary policies have maxed out. Interest rates have been cut and are close to zero or negative in the major industrial countries such as the US, the Eurozone, and Japan. Targeted fiscal measures have also been utilised on a massive scale to help companies with fixed costs such as rent and wages and also to protect workers by subsidizing wage costs to avoid lay-offs.

Radical ideas such as direct payment to households, the so-called “helicopter money”, and requirements for banks to slow delayed repayment of loans and mortgages are also being discussed. The relief packages being considered are already larger than those during the global financial crisis, and will increase further as the virus spreads.

On the public health front, in the past two months, most of the world has virtually shut down because of school closures, lockdowns, travel restrictions, and social distancing. Many glorious cities in Europe and the US have become ghost-towns.

Policy actions by individual countries have been bold but they have not been well-coordinated across countries especially in the design of fiscal packages and travel restrictions. In vaccine development, some countries have adopted go-it-alone policies rather than coordinated ones.

Some countries are also imposing restrictions on exports of face masks, gloves, and other protective clothing needed by medical teams. Trump’s unilateral policy of closing the US border to European Union (EU) citizens, led to surprise and disappointment on the other side. Disjointed policies duplicate efforts and are inefficient.

G7 or G20?

Containment of a pandemic is a global public good and needs coordinated global responses with common narratives on the challenges to be tackled. Global cooperation also makes difficult policy actions at home easier when done through coordination rather than as a knee-jerk domestic effort.

On 16 March 2020, President Trump, who in the past had voiced skepticism about the G7, organised an hour-long G7 video Summit at the request of President Macron and Chancellor Merkel.

But aside from a general statement of solidarity and a loose commitment to “doing whatever is necessary to ensure a strong global response” to the Covid-19 pandemic, the Leaders’ Statement issued by the Whitehouse (<https://www.whitehouse.gov/briefings-statements/g7-leaders-statement/>) does not contain any major global response and action plan to be adopted.

Instead it should be the G20, which was established in 2008 as forum for international economic cooperation, that should be coordinating global responses and coming up with action plans to address the pandemic, and not the G7. This is for several reasons:

Why It Should be G20

First, the G20 has greater legitimacy than the G7. In addition to 19 industrial countries plus the EU represented by the EU President, the G20 includes systemically important emerging markets like Brazil, China, India, Indonesia, and South Korea that are increasingly becoming key players in the global economy.

Its membership collectively accounts for 85 per cent of world GDP and 75 per cent of its population. The corresponding figures are 40 per cent and 10 per cent for the G7. Second, the G20 successfully managed the global financial crisis of 2008-2009

through coordinated monetary and fiscal stimuli designed at its 2009 Pittsburgh Summit. Instead of the expected Great Depression, we had a Great Recession.

The crisis had paralysed the financial sector which had led to a collapse in global demand. The IMF, therefore, played an important role in facilitating the Leaders' deliberations. This time around, countries have to, in addition, deal with an unprecedented public health crisis. Hence, both the IMF and WHO should play key roles at the Summit. The membership of seven international institutions, including the IMF and WHO, is another advantage of the G20 over G7.

Fourth, two G20 members, China and South Korea, have shown encouraging signs of recovery from the Covid-19 crisis although there are still concerns of a second round of the crisis occurring through imported cases.

Their experience would surely be useful not only to the members of EU, the present epicentre of the Covid-19 crisis, and the US where infections are expected to surge further. It will be so to other heavily-populated G20 members as well such as India and other South Asian countries, and Indonesia where the pandemic is starting to raise its ugly head. Now is not the time for war of words but for cooperation and learning lessons.

Needed: Emergency G20 Virtual Summit

Controlling a pandemic which knows no borders and addressing its dramatic economic impact requires globally-coordinated responses. As was the case during the global financial crisis, the best and the most legitimate way of coming up with global responses and action plans is through the G20 Summit.

Saudi Arabia, the present Chair, should, therefore, without delay convene a G20 virtual Summit. The agenda for the Summit should include, among others, public health measures and targeted fiscal stimulus. Waiting until November when the Summit is scheduled, will be too late.

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