

ISSUE BRIEF

United G20 Must Pave the Way for Robust Post-COVID-19 Recovery

JULY 2020

PHIL THORNTON

The world is facing unprecedented health and economic crises that require a global solution. Governments have locked down their economies to contain the mounting death toll from the COVID-19 pandemic. With this response well underway, now is the time to move into a recovery effort. This will require a coordinated response to the health emergency and a global growth plan that is based on synchronized monetary, fiscal, and debt relief policies. Failure to act will risk a substantial shock to the postwar order established by the United States and its allies more than seventy years ago.

The most effective global forum for coordinating this recovery effort is the Group of 20 (G20), which led the way out of the global financial crisis (GFC) in 2009, the closest parallel we have to the current catastrophe. Eleven years ago, world leaders used the G20 meeting in London as the forum to deliver a unified response and a massive fiscal stimulus that helped stem economic free fall and prevented the recession from becoming a second Great Depression.

A decade on, it is clear that the G20 is the only body with the clout to save the global economy. This does not mean that the G20 should be the only forum for actions for its member states. The United States, for example, should also work closely with like-minded states that support a rules-based world order, and there are many other fora where it can and must be active with partners and allies. But no others share the G20's depth and breadth in the key focus areas for recovery.

The other multilateral organizations that could take up the challenge lack either the substance or membership. The United Nations may count all countries as members but is too unwieldy to coordinate a response. The International Monetary

This report is written and published in accordance with the Atlantic Council Policy on Intellectual Independence. The authors are solely responsible for its analysis and recommendations. The Atlantic Council and its donors do not determine, nor do they necessarily endorse or advocate for, any of this report's conclusions.

“The global financial crisis was not a truly global crisis. It was an advanced economy crisis. This time it is truly a global crisis and so calls upon the G20 to act in a way that’s even greater and more ambitious than a decade ago.”

Josh Lipsky, director of programs and policy,
Global Business and Economics Program

“There is a lot of finger pointing going on, but underneath there are meetings between ministers and there is ample opportunity to galvanize action around those issues, if there was real leadership.”

Barry Pavel, senior vice president and director,
Scowcroft Center for Strategy and Security

“This would be a great opportunity to shape a common transatlantic agenda, not necessarily put aside disagreements but basically agree that this is a distraction right now.”

Benjamin Haddad, director,
Future Europe Initiative

Fund (IMF) has the resources but requires direction from its 189 members. The Group of Seven (G7), which once oversaw financial and economic management, does not include the fast-growing emerging economies. The G20 represents both the world’s richest and fastest-growing countries, making it *the* forum for international collaboration. It combines that representation with agility.

CHALLENGES AROUND

World leaders must focus on cooperation, both to strengthen the G20’s status and to coordinate the economic and health care responses. Since its successful summits in Washington in 2008 and London in 2009, the G20 has failed to live up to the high expectations it set for itself. With barely five months to go for the G20 Leaders’ Summit in Riyadh, Saudi Arabia, on November 21-22, there is an urgent need to rebuild the organization’s sense of unity and purpose. There are, however, some obstacles in the way.

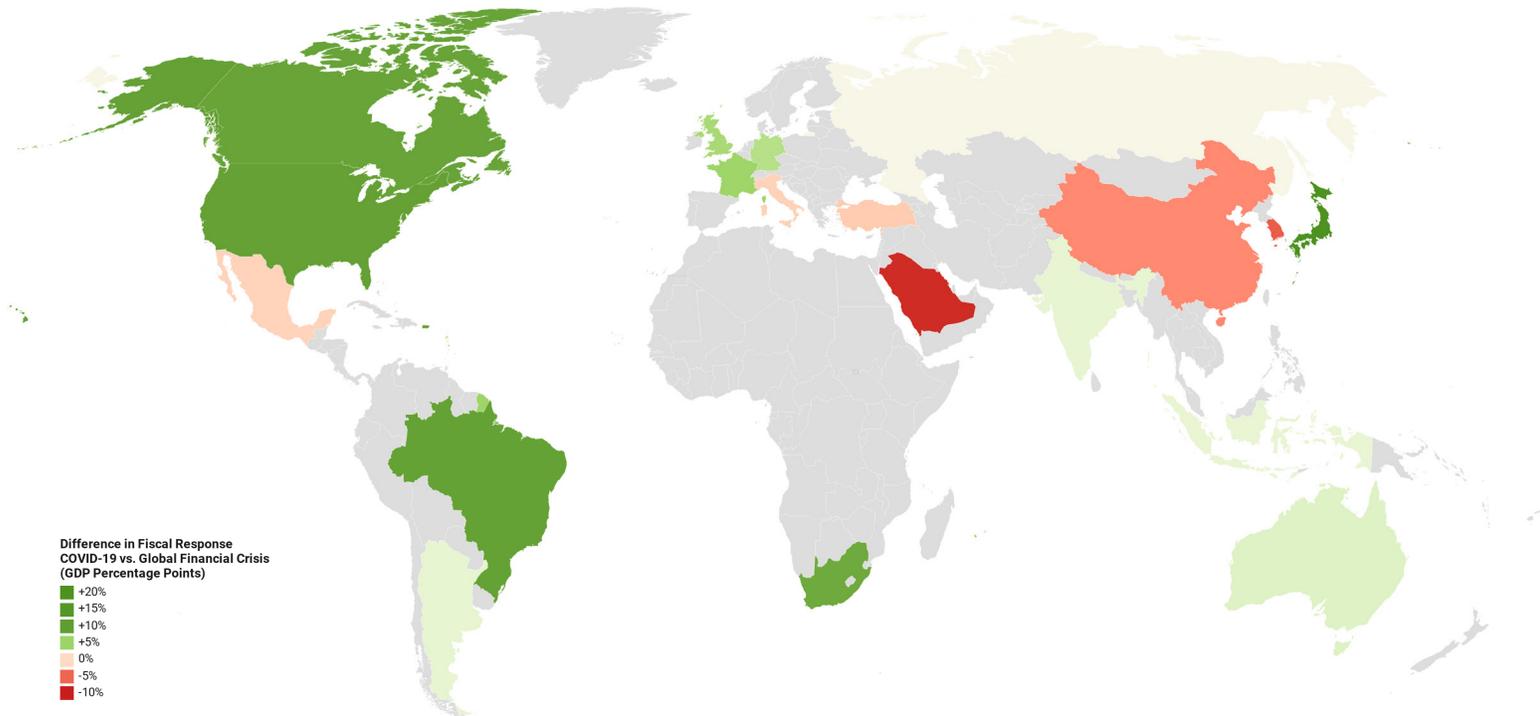
First, the leaders of the world’s two largest economies—the United States and China—have engaged in public rows over trade, tariffs, and the origins of the novel coronavirus, which has caused the COVID-19 pandemic. Washington and Brussels also have their differences over issues such as data privacy, trade, and Iran’s nuclear program.

Second, travel restrictions imposed in response to the pandemic have prevented face-to-face meetings between ministers and officials that would normally lay the groundwork for a successful summit.

And, finally, the United States has not assumed the leadership role it played during the GFC. Instead, it has— for now at least—shown hostility toward multilateral organizations. In 2008, support from the Bush administration was crucial in reenergizing the G20. US President Donald J. Trump’s administration must follow in those footsteps.

One of the lessons from the GFC is that when faced with a common challenge and a clear need for coordinated action, the G20 can step up to become the forum for effective decision-making. With representatives of twenty of the world’s most important economic players around a table—whether virtually or in person—the G20 summit is the ideal venue to build alliances and the perfect setting for the United States to use its long and deep diplomatic skills and its financial and strategic power to exert leadership.

FISCAL FIREPOWER MAP



This map demonstrates how current fiscal-stimulus packages by G20 nations compare with measures taken after the global financial crisis. While the majority of countries have already far outpaced their spending from 2009, China stands out as an exception. China's case raises concerns about its ability to support domestic demand if the virus persists, and to join the G20 in providing debt relief to the developing world.

Includes Implemented and Announced Fiscal Measures as of June 25, 2020. (Map does not include additional European Union Fiscal Measures)

Sources: IMF Policy Tracker, EC & ILLS, World Bank, IMF GDP Data. Created with Datawrapper

CREATIVE RESPONSE

The scale of debt accumulation by the major economies means there is less room for further spending. Indeed, while fiscal measures and looser monetary policy were ideal for combatting the banking crisis more than a decade ago, the current pandemic will require a much more creative global response. This is a health crisis with economic consequences rather than the other way around. It will require a coordinated response. Showing that countries can overcome differences and act together can inject confidence into societies that can encourage businesses to invest and households to spend.

What are the elements of this creative response? The first is extended debt relief. G20 finance ministers have negotiated temporary relief for the world's poorest seventy-seven countries until the end of the year. That is a big deal but is not nearly enough. Debt relief must be extended for at least two years to help these countries get past the crisis and deal with widening budget deficits and rising debt burdens. Furthermore,

the agreement does not cover debts accumulated as part of China's Belt and Road Initiative (BRI) infrastructure project. This would be an opportunity for China to play a leadership role by waiving debts owed to it over the next two years.

The second key element would use multilateral financial institutions such as the IMF, the World Bank, and the regional development banks, in which the G20's members are major shareholders. The obvious tool is an expansion of the Special Drawing Rights (SDR), an international reserve asset created by the IMF. Increasing the volume of SDRs by at least \$1 trillion would provide resources for poorer countries that are unable to finance an effective response to the pandemic. The United States blocked this plan when it was proposed at the IMF's spring meetings in April over concerns it gave extra funds to its geopolitical rivals such as Iran. Just as China should compromise over its BRI debts, the United States, too, should shift its position on the SDR.

“If we don’t have better data across nations, we can’t respond smartly to the pandemic and recovery. We must advance Data Trusts focused on informing the response and long-term global recovery, while still protecting privacy and intellectual property equities.”

David Bray, director, GeoTech Center

“If you think about the most vulnerable communities, pollution in cities where they live means the air quality is bad, and then you have asthma and you are more likely to succumb to a respiratory virus like the coronavirus or to a heat wave event during summer.”

Kathy Baughman McLeod, senior vice president and director, Adrienne Arsht-Rockefeller Foundation Resilience Center

“The number one message that the Saudis will try to send is that if they are back, they are welcomed into the international community, and they are respected.”

William Wechsler, director, Rafik Hariri Center and Middle East Programs

“There is an opportunity to manage the hydrocarbon market in a world of declining demand, moving toward a greener, more sustainable, energy mix.”

Randolph Bell, director, Global Energy Center, and Richard Morningstar chair for Global Energy Security

A key focus of the G20 should be leveraging supply chains by creating multilateral oversight of the development, testing, manufacture, and distribution of vaccines. This could help ensure the equitable distribution of other medical supplies and personal protective equipment to all countries and specifically to those with the least resources.

In order to gain a greater understanding of how the coronavirus spreads, which vaccines are effective against it, and pioneering ways to prevent future pandemics, a unified response must be coordinated among countries whose approaches to the use of data and technology diverge between the United States and other democracies on the one hand and China’s more autocratic approach on the other.

The Atlantic Council’s GeoTech Center has put forward the idea of “Data Trusts for Good,” non-profit organizations that can hold data provided by public and private sector bodies. The data can be held for a transparent purpose and over a limited time with ombudsmen who ensure personal and proprietorial data are protected. The G20 is well-placed to take an oversight role so that representatives from all major economies are engaged in the effective and safe management of data and exploitation of technologies.

Technological innovations and a revolution in the way data are used have given the world a new set of tools that could help tackle challenges created both by COVID-19 and by the ever present need to rebuild economies and address climate change. The use of data and new technologies will underpin all the targets that the G20 will want to hit. There is an opportunity for countries with cutting-edge technologies and data companies to build around scientifically novel, but increasingly available, means to prevent future pandemics by exploiting data and findings from studies carried out on previous pandemics.

MEDIUM-TERM PRIORITIES

While finding short-term solutions to the pandemic and restoring economic stability will be at the top of the G20’s agenda in November, the body should also focus on addressing challenges that will extend beyond the pandemic, such as climate change, energy use, food security, and migration. The summit offers an opportunity to agree on initiatives to tackle these longer-term problems that will affect all countries, particularly the poorest and most vulnerable ones. These initiatives should include building countries’ resilience to climate change through mitigation and

adaptation, addressing the challenges of migration and food security, poverty alleviation, and economic governance. The G20 should also look to exploit the potential that innovative technology and big data offer under the stewardship of a new body, the “I20.”

A united G20 can lead the way by reengaging with the Vulnerable Twenty (V20), and in the process reigniting this grouping’s agency, to jointly advance a global agenda that strengthens the resilience of the most vulnerable countries and addresses weaknesses that COVID-19 will have exacerbated. Although the primary focus of the V20 (and its parent organization, the Climate Vulnerable Forum) has been the socioeconomic and environmental vulnerabilities exacerbated by climate change, such as lack of access to food, clean water, and breathable air, these are intrinsically shared with the vulnerabilities of the communities hit most severely by COVID-19. Hence, there is a need for the G20 to signal its leadership, along with the V20, to address any kind of social and financial vulnerability, whether in public health, climate change, or migration. The mobilization of financial resources must be geared toward helping those at the bottom of the pyramid.

Climate Action: At the G20 finance ministers’ meeting in Riyadh in February, the United States for the first time in the Trump administration allowed the financial stability implications of climate change to be included in the communiqué.¹ Further, the Trump administration’s increasing willingness to discuss climate change over the past year has opened the door for a grand bargain on energy and climate action. The G20’s engagement earlier this year on the collapse in oil prices and the ensuing economic repercussions has also created an opportunity for the G20 to develop an energy governance role that benefits all economies while also mandating commitments to carbon emission reductions. With oil prices at record-low levels, now is the time to phase out harmful subsidies. Any coordinated fiscal package must be adapted to prioritize “green” investments such as clean energy technologies, including nuclear energy and efforts to lower hydrocarbons’ carbon footprint (without which a compromise will not be possible), nature-based climate solutions such as reforestation and sustainable agriculture, and climate adaptation efforts.

Food Security: Technology and data can ensure global food security by identifying problems with global food supplies, making supply chains more efficient, improving food production and distribution, and ensuring smooth running at key ports and rail terminals. The G20 should create an “I20” of industry counterparts, specifically data and technology firms to foster collaboration on finding solutions to food supply issues and preventing future pandemics.

LOOKING FOR LEADERSHIP

The task of formulating a coherent plan falls to Saudi Arabia, the chair of this year’s G20 summit. For Saudi Crown Prince Mohammed bin Salman (MBS), a successful summit will be an opportunity to reengage with world leaders and corporate titans who recoiled in the wake of the murder of Saudi dissident Jamal Khashoggi in 2018. A successful summit will also go a long way toward restoring Saudi Arabia’s reputation as an investment hub.

Saudi Arabia has shown that it is serious about addressing climate change. It has set out an agenda to advance efforts to manage emissions. In a world in which fossil fuels will still be part of the energy mix, Saudi Arabia can forge alliances, including with the United States, by pushing toward net-zero emissions through carbon storage, recycling, and utilization, as well as through development of clean energy sources. The drop in oil prices this year offers Saudi Arabia an opportunity to promote the G20 as a governance mechanism for energy markets by working with both oil consumers and producers to create a more effective hydrocarbon management system. The United States can also play a role here, as Atlantic Council President and Chief Executive Officer Frederick Kempe has said.

The common enemy in the form of the pandemic has created an opportunity for creative diplomacy around initiatives on economics and health around which all countries can rally. If the United States wishes to play a leadership role it can draw on its natural alliance with democracies such as the Atlantic Council’s D10 group that includes the five European G20 members—France, Germany, Italy, the United Kingdom, and the European Union (EU)—Canada and the United States, and Australia, Japan, and South Korea in the Asia-Pacific. The G20

¹ Richard Partington, “G20 sounds alarm over climate emergency despite US objections,” *The Guardian*, February 23, 2020, <https://www.theguardian.com/world/2020/feb/23/g20-sounds-alarm-over-climate-emergency>.

“The economic fate of developing countries and emerging markets is very much dependent on the decisions coming out of the G20 meetings.”

Jason Marczak, director, Adrienne Arsht Latin America Center

“Based on lessons learned from Asian countries that successfully flattened the curves of their domestic outbreaks [of COVID-19], the G20 should lead efforts to strengthen existing global health institutions while energizing innovative and multilateral approaches, including public-private partnerships.”

Miyeon Oh, director, Asia Security Initiative

“Everyone is going to be looking to these countries’ leaders to come out with some epiphanies and big breakthroughs on what the post-COVID-19 world is going to look like.”

Kirsten Fontenrose, director, Scowcroft Middle East Security Initiative

“Leadership is about optics. So, in addition to action, activity, and concrete results, it needs a sense that there is someone in the driver’s seat looking to steer toward a successful outcome.”

Ash Jain, senior fellow, Scowcroft Center for Strategy and Security

has an important role to play because it brings other major powers such as Brazil, China, India, and Russia to the table for a conversation on substantive issues where it is difficult to get real action, but still important to have a dialogue.

Emerging market countries have their own challenges. This is especially true for the G20’s three Latin American members—Argentina, Brazil, and Mexico—as the region becomes a global COVID-19 hot spot. The region has already been hit by the collapse in the price of oil and commodities demand. Additionally, informal workers and informal economies are especially vulnerable to the economic impact of the pandemic, and this is also true for these countries. As a result, Argentina, Brazil, and Mexico are much more focused on these and other domestic challenges and less so on the G20 summit. But all three nations will want to use the G20 as a forum to attract future investment, especially from China whose purchase of raw materials has underpinned the finances of many Latin American countries.

Asia is a dominant player in the G20 with the heavyweight economies of China, India, and Japan alongside smaller economies, Indonesia and South Korea. The main concern of these nations will be figuring out how to work with the United States without antagonizing China. These nations also have other national interests to consider. While the G20 is not a major priority for all of its Asian member states, it provides opportunities for the leaders of China, Japan, and South Korea to meet even when their relationships are strained.

A MULTINATIONAL APPROACH

There is an overwhelming need for a multinational approach to the current crisis. This approach should include a coordinated fiscal response that is not simply a ramped up version of the response to the GFC. It must include public/private collaborations on data and tech that would underpin the delivery of the response. It should focus on debt relief or cancellation to help poorer countries. It should also be part of a creative transatlantic strategy that uses a global fund to help developing countries cope with the health and economic impacts of the pandemic and to invest in infrastructure.

CONCLUSION

The G20 member states must set aside their differences so that the forum can show itself to be an international body that is not just worried about getting through the current crisis, but is also committed to rebuilding the global economy by laying out a coordinated vision with concrete promises.

The G20 summit in November offers a huge opportunity for a coordinated multilateral response with the United States playing a key role alongside the chairmanship of Saudi Arabia. The summit's success will be measured by the substance of the policies unveiled and the sense of unity presented by the leaders. The member states will need to structure their own policies in a way that addresses the approach offered by the communiqué.

If the G20 can display unity, coordination, and collaboration at the highest level of government it will not only accelerate a successful response to COVID-19, but will also have positive impacts way beyond the pandemic itself. A successful summit will show that world leaders can overcome their differences and coordinate an effective response to a global problem, and at the same time pave the way for a more robust and equitable post-COVID-19 world.

AUTHORS

Phil Thornton is lead consultant at Clarity Economics, which looks at all areas of business and economics including macroeconomics, world trade, financial markets fiscal policy, and tax and regulation. Previously he was Economics Correspondent at the Independent newspaper.

Kathy Baughman McLeod, senior vice president and director, Adrienne Arsht-Rockefeller Foundation Resilience Center

Randolph Bell, director, Global Energy Center, and

Richard Morningstar chair for Global Energy Security

David Bray, director, GeoTech Center

Kirsten Fontenrose, director, Scowcroft Middle East Security Initiative

Benjamin Haddad, director, Future Europe Initiative

Ash Jain, senior fellow, Scowcroft Center for Strategy and Security

Josh Lipsky, director of programs and policy, Global Business and Economics Program

Jason Marczak, director, Adrienne Arsht Latin America Center

Miyeon Oh, director, Asia Security Initiative

Barry Pavel, senior vice president and director, Scowcroft Center for Strategy and Security

William Wechsler, director, Rafik Hariri Center and Middle East Programs.

The G20's short-term objectives should include:

- A clear commitment to a united and coordinated approach.
- A fiscal response formulated to tackle the impact of COVID-19.
- A concrete program of work with clear targets and timelines.
- Commitments to strengthen access to vital medical supplies and equipment.
- An agreement on a timeframe for an investigation into the origin of the coronavirus.
- Use of "Data Trusts for Good" to tackle food security problems.
- Ensuring that travel restrictions do not hamper the COVID-19 response.
- Extend low-income and developing country bilateral debt relief beyond 2020.

The G20's medium-term objectives should include:

- Creation of an I20 of industry counterparts, specifically global data and technology firms.
- A clear roadmap for measures to restore economic growth and financial stability.
- Ensuring stable energy markets with the goal of net-zero emissions.
- A commitment to ensure global food security.
- A pledge to ensure its measures are climate-resilient.
- A focus on the needs of the most vulnerable nations as well as the impact on inequality.

G20 Countries

MEMBERSHIPS						INDICATORS (2019)			
	G7	UNSC	OPEC	OECD	NATO	GDP (\$)	GDP per capita (\$)	Population	Forex Reserves (\$)
Argentina						445b	10k	45m	45b
Australia				✓		1t	54k	25m	59b
Brazil						2t	9k	211m	357b
Canada	✓			✓	✓	2t	46k	37m	85b
China		∞				14t	10k	1b	3t
France	✓	∞		✓	✓	3t	42k	65m	189b
Germany	✓	✓		✓	✓	4t	47k	84m	224b
India						3t	2k	1b	460b
Indonesia		✓				1t	4k	271m	129b
Italy	✓			✓	✓	2t	33k	61m	192b
Japan	✓			✓		5t	41k	127m	1t
Mexico			+	✓		1t	10k	128m	183b
Russia		∞	+			2t	11k	146m	554b
Saudi Arabia			✓			779b	23k	34m	500b
South Africa		✓				359b	6k	59m	55b
South Korea				✓		2t	31k	51m	409b
Turkey				✓	✓	744b	9k	83m	106b
UK	✓	∞		✓	✓	3t	41k	68m	208b
US	✓	∞		✓	✓	21t	65k	329m	127b
EU						19t	45k	446m	82b

∞ = Permanent

+ = Plus

Source: WHO, IMF, UN • Created with Datawrapper

Atlantic Council Board of Directors

CHAIRMAN

*John F.W. Rogers

EXECUTIVE CHAIRMAN EMERITUS

*James L. Jones

CHAIRMAN EMERITUS

Brent Scowcroft

PRESIDENT AND CEO

*Frederick Kempe

EXECUTIVE VICE CHAIRS

*Adrienne Arsht

*Stephen J. Hadley

VICE CHAIRS

*Robert J. Abernethy

*Richard W. Edelman

*C. Boyden Gray

*Alexander V. Mirtchev

*John J. Studzinski

TREASURER

*George Lund

SECRETARY

*Walter B. Slocombe

DIRECTORS

Stéphane Abrial

Odeh Aburdene

Todd Achilles

*Peter Ackerman

Timothy D. Adams

*Michael Andersson

David D. Aufhauser

Colleen Bell

Matthew C. Bernstein

*Rafic A. Bizri

Linden Blue

Philip M. Breedlove

Myron Brilliant

*Esther Brimmer

R. Nicholas Burns

*Richard R. Burt

Michael Calvey

James E. Cartwright

John E. Chapoton

Ahmed Charai

Melanie Chen

Michael Chertoff

*George Chopivsky

Wesley K. Clark

*Helima Croft

Ralph D. Crosby, Jr.

*Ankit N. Desai

Dario Deste

*Paula J. Dobriansky

Thomas J. Egan, Jr.

Stuart E. Eizenstat

Thomas R. Eldridge

*Alan H. Fleischmann

Jendayi E. Frazer

Ronald M. Freeman

Courtney Geduldig

Robert S. Gelbard

Thomas H. Glocer

John B. Goodman

*Sherri W. Goodman

Murathan Günal

*Amir A. Handjani

Katie Harbath

John D. Harris, II

Frank Haun

Michael V. Hayden

Amos Hochstein

*Karl V. Hopkins

Andrew Hove

Mary L. Howell

Ian Ihnatowycz

Wolfgang F. Ischinger

Deborah Lee James

Joia M. Johnson

Stephen R. Kappes

*Maria Pica Karp

Andre Kelleners

Astri Kimball Van Dyke

Henry A. Kissinger

*C. Jeffrey Knittel

Franklin D. Kramer

Laura Lane

Jan M. Lodal

Douglas Lute

Jane Holl Lute

William J. Lynn

Mian M. Mansha

Marco Margheri

Chris Marlin

William Marron

Neil Masterson

Gerardo Mato

Timothy McBride

Erin McGrain

John M. McHugh

H.R. McMaster

Eric D.K. Melby

*Judith A. Miller

Dariusz Mioduski

*Michael J. Morell

*Richard Morningstar

Virginia A. Mulberger

Mary Claire Murphy

Edward J. Newberry

Thomas R. Nides

Franco Nuschese

Joseph S. Nye

Hilda Ochoa-Brillembourg

Ahmet M. Oren

Sally A. Painter

*Ana I. Palacio

*Kostas Pantazopoulos

Carlos Pascual

W. DeVier Pierson

Alan Pellegrini

David H. Petraeus

Lisa Pollina

Daniel B. Poneman

*Dina H. Powell McCormick

Robert Rangel

Thomas J. Ridge

Lawrence Di Rita

Michael J. Rogers

Charles O. Rossotti

Harry Sachinis

C. Michael Scaparrotti

Rajiv Shah

Stephen Shapiro

Wendy Sherman

Kris Singh

Christopher Smith

James G. Stavridis

Richard J.A. Steele

Mary Streett

Frances M. Townsend

Clyde C. Tuggle

Melanne Verveer

Charles F. Wald

Michael F. Walsh

Gine Wang-Reese

Ronald Weiser

Olin Wethington

Maciej Witucki

Neal S. Wolin

*Jenny Wood

Guang Yang

Mary C. Yates

Dov S. Zakheim

HONORARY DIRECTORS

James A. Baker, III

Ashton B. Carter

Robert M. Gates

Michael G. Mullen

Leon E. Panetta

William J. Perry

Colin L. Powell

Condoleezza Rice

George P. Shultz

Horst Teltschik

John W. Warner

William H. Webster

**Executive Committee Members*

List as of June 30 2020



The Atlantic Council is a nonpartisan organization that promotes constructive US leadership and engagement in international affairs based on the central role of the Atlantic community in meeting today's global challenges.

© 2020 The Atlantic Council of the United States. All rights reserved. No part of this publication may be reproduced or transmitted in any form or by any means without permission in writing from the Atlantic Council, except in the case of brief quotations in news articles, critical articles, or reviews. Please direct inquiries to:

Atlantic Council

1030 15th Street, NW, 12th Floor,
Washington, DC 20005

(202) 463-7226, www.AtlanticCouncil.org