



CANADIAN GLOBAL AFFAIRS INSTITUTE
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The G20 Emergency Meeting: Addressing the COVID-19 Crisis – March 26, 2020

by Colin Robertson
March 2020

CGAI Primer

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With Saudi Arabia's Crown Prince bin Salman in the chair, leaders from the G20 will meet virtually on Thursday, March 26 to consider how to respond to the financial and health crisis caused by the coronavirus. UN Secretary General Antonio Guterres says "global solidarity is not only a [moral imperative](#) it is in everyone's interest". Yet it is an open question as to whether or not the G20 will be up to the enormous task ahead.

In recent years the G20, representing about 80 per cent of global economic output and two-thirds of the world's population, has effectively acted as the world's management board. In times of crisis it is supposed to be the fire brigade. It was financial crises – the Asian and dot.com crashes at the turn of the century – that gave the G20 its birth. Canada's Paul Martin was the architect, bringing together finance ministers and central bankers. The 2008 crisis raised it to the leaders' level and in a series of meetings they directed the recovery.

 Argentina	 Australia	 Brazil
 Canada	 China	 France
 Germany	 India	 Indonesia
 Italy	 Japan	 Mexico
 Russia	 Saudi Arabia	 South Africa
 South Korea	 Turkey	 United Kingdom
 United States	 European Union	

What do we expect from the meeting?

Beyond a promise to keep in close collaboration and to meet again, the danger is that G20 leaders resort to bromides and weasel words. G7 Foreign Ministers met virtually on March 25 and but there was no communiqué. The [readout](#) from Canadian Foreign Minister François-Philippe Champagne said that the meeting focussed on the COVID-19 response and that they also discussed the plight of the Rohingya, Afghanistan, China, Iran, Libya, North Korea, Russia, the Sahel, and Syria. Der Spiegel [reported](#) that the meeting could not come to an agreement on the language to be used to describe the pandemic, with the U.S. wanting to call it the "Wuhan virus" and the others saying COVID-19.

A Difficult Backdrop

The two superpowers or G2 - the U.S. and China - are in the midst of a trade war that is now geopolitical as they trade insults over responsibility for the pandemic. It originated, as do most influenzas, in southern China. There is no evidence to suggest it came from the U.S. army as some [Chinese](#) and [Iranians](#) have claimed. President Donald Trump [muses](#) about a return to normalcy by Easter despite the [advice](#) of Dr. Anthony Fauci, director of the U.S. National Institute of Allergy and Infectious Diseases.



Chinese officials initially [suppressed](#) information about the outbreak, but now China is positioning itself as a global benefactor [sending doctors and medical supplies](#) to Italy, Iran, Iraq, the Philippines and Serbia.

Russia, which sees itself as G3, and the Saudis, who chair the G20, are engaged in a pricing battle over the price of oil. A European Union report says Russian agents are mounting a “[significant disinformation campaign](#)” to subvert Western and EU countries’ communications around the pandemic.

The Europeans – Germany, UK, France, Italy and their EU leadership – are beset by BREXIT and another [migration crisis](#) compounded by the coronavirus pandemic that is especially afflicting Italy. Meanwhile the trouble spots – Afghanistan, Iraq, Libya, Palestine, Syria, Venezuela – as well as climate change remain on the agenda, even if COVID-19 has eclipsed them for now.

The Money Problem

The IMF and the World Bank both forecast the pandemic would trigger a global recession in 2020. Many currencies are [already plunging](#), and there is a risk of an emerging markets crisis. Argentina, whose debt has been deemed unsustainable by the IMF, warned fellow G20 member they must act decisively to “[avoid a social meltdown](#)”. World Bank president David Malpass is calling on the G20 to provide [debt relief](#) for the poorest 75 countries with the Bank providing a multi-billion package for support and procurement.

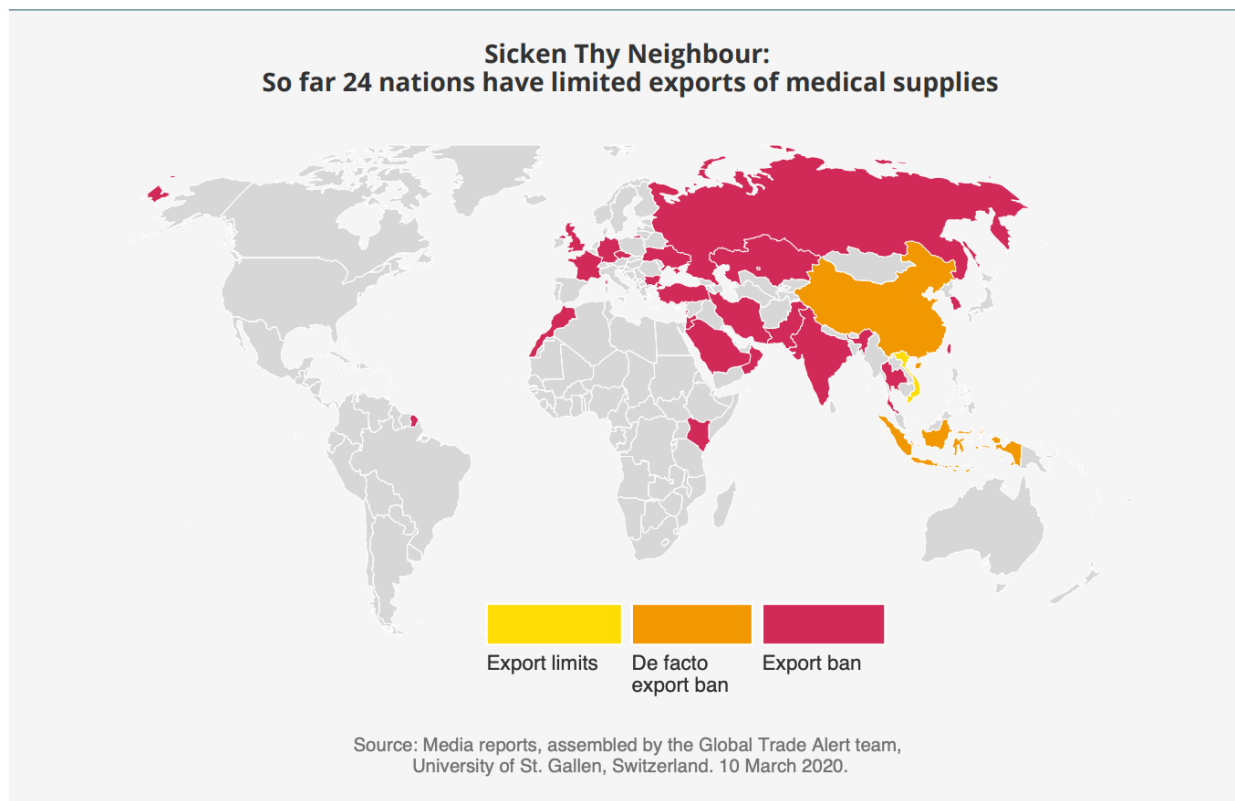
IMF Managing Director Kristalina Georgieva calls it, “[a recession](#) at least as bad as during the global financial crisis or worse”. As of March 23, investors have already removed [\\$83 billion](#) from emerging markets since the beginning of the crisis. It’s the largest capital outflow ever-recorded. According to Ms. Georgieva, who expects recovery in 2021, advanced economies are generally in a better position to respond to the crisis, but many emerging markets and low-income countries face significant challenges especially those in debt distress. Some 80 countries have already applied to the IMF for emergency financial relief. She promised to “massively step up emergency finance” and to deploy their US\$1 trillion lending capacity for them.

G20 Finance ministers met on Monday and “agreed to [closely monitor](#) the evolution of the COVID-19 pandemic, including its impact on markets and economic conditions and take further actions to support the economy during and after this phase.”



The Health Crisis

Most western nations are now in lock-down to try to ‘flatten the curve’ of the coronavirus plague. World Health Organization Director General Dr. Tedros Adhanom Ghebreyesus reported on Monday that over [300,000](#) cases (and now more than 400,000) of COVID-19 have been reported to WHO, from almost every country in the world. He noted that it took 67 days from the first reported case to reach the first 100,000 cases, 11 days for the second 100,000 cases and just 4 days for the third 100,000 cases. As he put it “that’s heartbreaking.” We need, he said “unity in the G20 countries”. He also warned that “small, observational and non-randomized studies will not give us the answers we need. Using untested medicines without the right evidence could raise false hope, and even do more harm than good and cause a shortage of essential medicines that are needed to treat other diseases.”



What should come out of the meeting?

It would be grand if the leaders agreed to a coordinated approach including sharing test treatment results and vaccines; rolling back [tariffs](#) on healthcare equipment; and synchronized fiscal action. The International Monetary Fund has both a trust fund for [catastrophic containment and relief](#), as well as a [pandemic-financing facility](#), and both will need replenishing, as well as new thinking on how to keep countries liquid.

There are lots of good ideas.

On the economic front and drawing on the lessons from the 2008-9 experience, nations are opening the taps with fiscal stimulus and monetary easing to preserve liquidity including direct cash disbursements to households. Public trust matters, as the 2008 financial crisis taught us: People must come first. Public money to business should be about bridging loans and equity, rather than bailouts.

The International Chamber of Commerce, the World Health Organization and Business Twenty (B20) call for ensuring infection control and medical products reach the hands of those who need them the most; using the private sector to help meet the need for testing and related reporting; ensuring equitable access and affordability of essential medical supplies and health services; and scaling financial assistance.



On the health side, in a joint [statement on pandemic preparedness](#), the Business 20, Civil 20, Labor 20, Think 20, Women 20 and Youth 20 call on leaders to strengthen global outbreak response capacity and health systems and to facilitate research and development.

Practical measures could include making a global standard of the [Global Health Security Index](#). It's the first comprehensive assessment and benchmarking of health security and related capabilities across the 195 countries that make up the States Parties to the International Health Regulations (IHR [2005]). The Index was developed by the Nuclear Threat Initiative (NTI), the Johns Hopkins Center for Health Security (JHU) and The Economist Intelligence Unit (EIU).

What do we expect from the meeting?

Beyond a promise to keep in close collaboration and to meet again, the danger is that G20 leaders resort to bromides and weasel words. The G20 leadership – east and west, north and south, authoritarians and liberal internationalists – reflects the realities of contemporary world geo-economic politics. It's a meaner and messier world. Think of the original [Star Wars scene](#) when Han Solo is confronted by the bounty hunter Greedo in the Mos Eisley cantina – it's hard to imagine a more disparate set of leaders with the despots, real and wannabe, outnumbering the liberal internationalists around the table.

For now, it's 'Sauve qui peut' - every nation for itself as borders shut and quarantines are imposed. In looking at the response of G7 and G20 leaders, NYT Mark Landler observed "their voices are [less a choir than a cacophony](#), with the United States absent from its traditional conductor role."

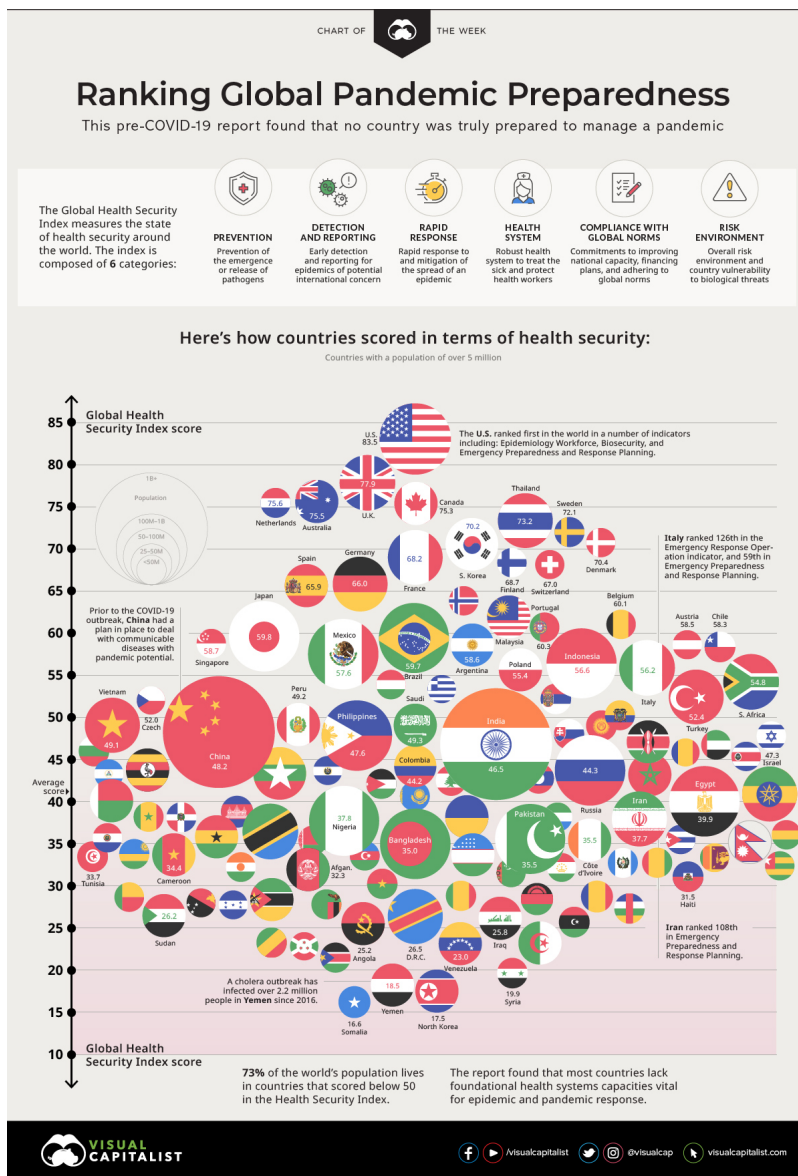
Closing borders appeals to the populists, who celebrate the nation state and oppose immigration and globalization. At worst the supply and demand shock could result in a shift back to national self-sufficiency and the unraveling of globalization. "After 9/11 and the 2008 global financial crisis, this is the third big test of our decency and ability to cooperate, because the virus does not respect borders," said Brookings fellow [Constanze Stelzenmüller](#). "We need to cooperate across the board, in health management and fiscal stimulus."

And if the G20 can't or won't act?

We will need a new group of nations to take on the mantle. The leaders of the G20's multilateral democracies – Japan's Shinzo Abe, Germany's Angela Merkel, France's Emmanuel Macron, South Korea's Moon Jae-in, Canada's Justin Trudeau, European Council President Charles Michel and president of the European Commission Ursula von der Leyen – could form the core of this new group that should include the like-minded nations such as Norway, Ireland, Singapore and New Zealand. [Taiwan](#) can offer lessons in reining in the coronavirus and SARS epidemics, even though Taiwan has been [denied even observer status](#) in the WHO because of China's ridiculous demands.



The global public needs to see that multilateralism works and that liberal democracies can act decisively while respecting liberty.



Looking Forward

There are no winners in this situation but there are lots of losers. Then there are the [70.8 million displaced persons](#) - twice the population of Canada - living in crowded camps ripe for pandemic, who now find doors shut from even the traditional recipient nations including Canada. According to the [UN Migration Agency](#), as of March 23 at least 174 nations have issued COVID-19 related travel restrictions,. The International Organization for Migration is [tracking the day-by-day shutdown](#) of global mobility pathways.



What is also clear is that this crisis is exposing the failings and costs of an inadequate global healthcare system. According to the World Health Organization, global spending on healthcare was [US\\$ 7.8 trillion](#) in 2017, or about 10% of GDP and \$1,080 per capita. A WHO/UNICEF [costing study](#) concluded that with an additional US\$1 billion per year, immunization could save 10 million more lives in a decade.

The world will continue to face outbreaks as a result of climate change and urbanization, international mass displacement and migration or accidental or deliberate release of a deadly engineered pathogen. Countries are ill positioned to combat them unless we act together.

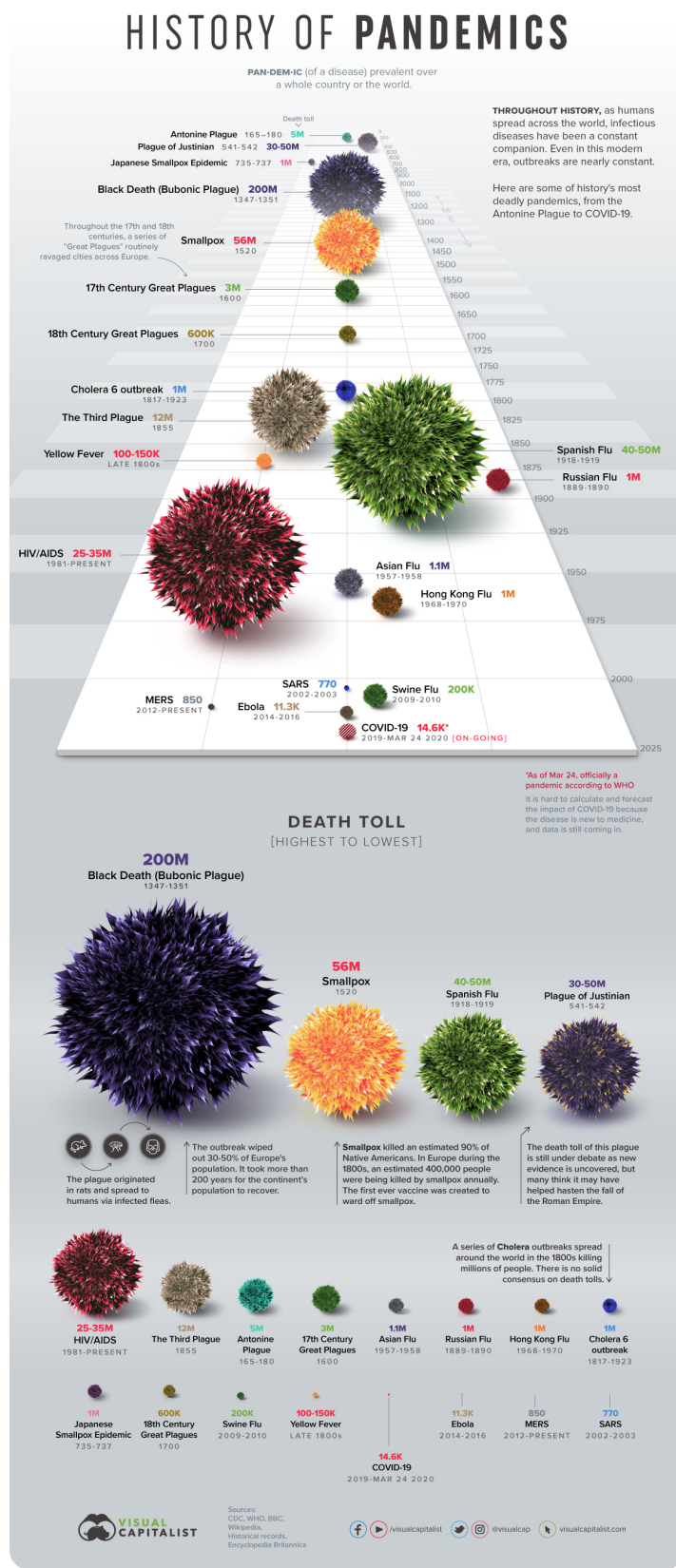
There is lots to draw from including the 2016 United Kingdom's global [Review on Antimicrobial Resistance](#) (AMR) that offered a blueprint of recommendations including investments to accelerate the development not just of a vaccine but also of therapeutic treatments and better diagnostics. In the absence of action AMR warned that by 2050 antibiotic-resistant microbes could take up to ten million lives per year, at a total cost of around \$100 trillion in lost output between 2015 and 2050. AMR's chair [Jim O'Neill](#), who now chairs [Chatham House](#), says that the G20 will have "[no excuse](#)" if it fails to muster at least \$10 billion for the immediate provision of COVID-19 diagnostics and treatments, and another \$10 billion to kick-start the market for new antibiotics.

A final thought: total world military expenditure rose to [\\$1.822 trillion in 2018](#), according to the Stockholm International Peace Research Institute (SIPRI). As it's increasingly likely to be microbes rather than missiles that get us, then more investment into healthcare, and especially into preparing for pandemics, seems prudent.

Resources

Previous [primers](#) go into more detail about the G20. For more on the Saudi plan for their presidency see their [strategy document](#).

On the Coronavirus look at this educational scrolling infographic by [SCMP](#) and animated video by [Kurzgesagt](#) that explains how the virus works. Oxford University regularly updates its [Government Response Tracker](#) (OxCGRT) across countries and time. Check out this [real-time map](#) from Johns Hopkins. See also the *Financial Times* real-time [COVID-19 dashboard](#). The [Visual Capitalist](#) (a Canadian initiative) has some excellent pictorials on the Global Health Index, pandemics and 'Black Swan' events.



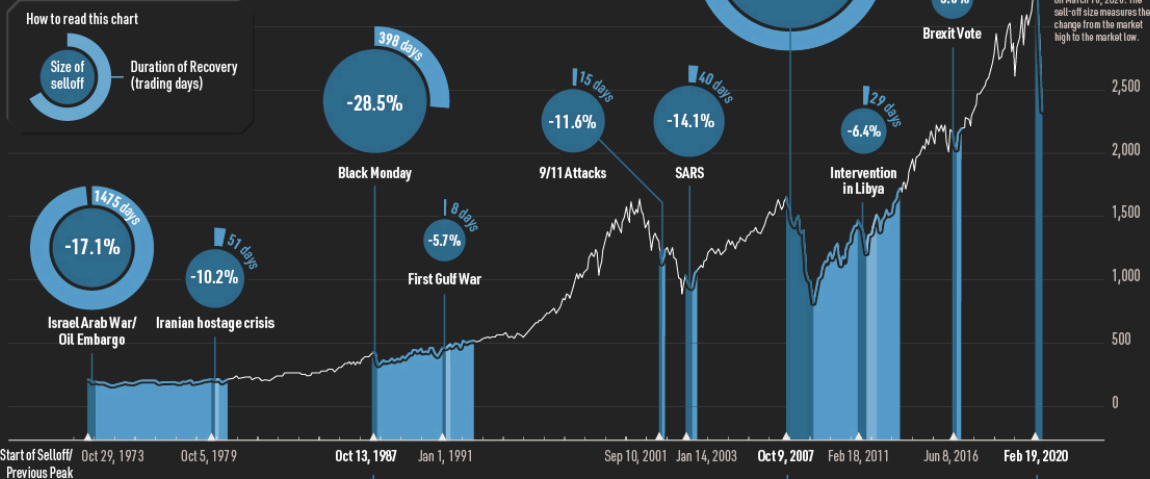


BLACK SWAN EVENTS SHORT-TERM CRISIS, LONG-TERM OPPORTUNITY

Rare, unexpected events—known as Black Swans—can have severe consequences in the stock market. Below, we compare the COVID-19 reaction with other historical events, charting their downturn and length of recovery.

S&P 500 Performance (October 1, 1973 to March 18, 2020)

SOURCE: BAYER, DEUTSCHE BANK VIA ZERODER.GE (SEP 2017), YAHOO FINANCE (MAR 2020)



BLACK MONDAY

On October 19, 1987, the S&P 500 dropped over 20%, the largest one-day loss in its history.

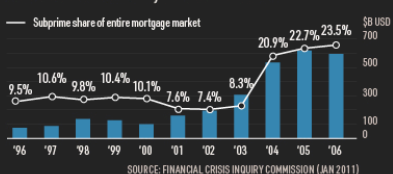


High stock valuations, and portfolio insurance that spurred excessive risk-taking, have both been cited as potential causes of the crash.

SOURCE: S&P GLOBAL (MAR 2020), INVESTOPEDIA (MAR 2019)

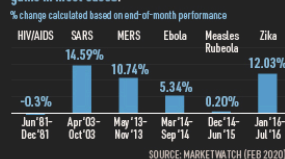
GLOBAL FINANCIAL CRISIS

A significant rise in subprime loans—loans provided to riskier borrowers—was a main catalyst of the financial crisis.



COVID-19

Wall Street's reaction to epidemics has historically been short-lived, with the S&P 500 seeing 6-month gains in most cases.



The S&P 500 index is an index of 500 stocks used as a macro level indicator of the overall U.S. equity market. Past performance is not indicative of future results. An investment cannot be made in an index. Visual Capitalist is not affiliated with New York Life Insurance Company or its subsidiaries. Past performance is not indicative of future results. This material represents an assessment of the market environment as of a specific date, is subject to change, and is not intended to be a forecast of future events or a guarantee of future results. This information should not be relied upon by the reader as research or investment advice regarding the funds or any particular issuer's security.

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About the Author

*A former Canadian diplomat, **Colin Robertson** is Vice President and Fellow at the [Canadian Global Affairs Institute](#) and hosts its regular [Global Exchange podcast](#). He is an Executive Fellow at the University of Calgary's [School of Public Policy](#) and a Distinguished Senior Fellow at the [Norman Paterson School of International Affairs](#) at Carleton University. Robertson sits on the advisory councils of the [Johnson-Shoyama School of Public Policy](#), [North American Research Partnership](#), [The Winston Churchill Society of Ottawa](#) and [the Conference of Defence Associations Institute](#) and the North American Forum. He is an [Honorary Captain \(Royal Canadian Navy\)](#) assigned to the Strategic Communications Directorate. During his foreign service career, he served as first Head of the Advocacy Secretariat and Minister at the Canadian Embassy in Washington and Consul General in Los Angeles, as Consul and Counsellor in Hong Kong and in New York at the UN and Consulate General. A member of the teams that negotiated the Canada-U.S. FTA and then the NAFTA, he is a member of the Deputy Minister of International Trade's Trade Advisory Council and the Department of National Defence's Defence Advisory Board. He writes on foreign affairs for the [Globe and Mail](#) and he is a frequent contributor to other media. The [Hill Times](#) has named him as one of those that influence Canadian foreign policy.*

Canadian Global Affairs Institute

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The Institute was created to bridge the gap between what Canadians need to know about Canadian international activities and what they do know. Historically Canadians have tended to look abroad out of a search for markets because Canada depends heavily on foreign trade. In the modern post-Cold War world, however, global security and stability have become the bedrocks of global commerce and the free movement of people, goods and ideas across international boundaries. Canada has striven to open the world since the 1930s and was a driving factor behind the adoption of the main structures which underpin globalization such as the International Monetary Fund, the World Bank, the World Trade Organization and emerging free trade networks connecting dozens of international economies. The Canadian Global Affairs Institute recognizes Canada's contribution to a globalized world and aims to inform Canadians about Canada's role in that process and the connection between globalization and security.

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