Opinion Coronavirus

Rich countries cannot win the war against coronavirus alone

We need to fight this pandemic into submission everywhere in order to relax measures anywhere

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This article is part of a series in which leading commentators and policymakers give their views on alleviating the devastating global slowdown

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Policymakers everywhere now understand no country is immune from coronavirus. The response in industrial countries, which finally seems to correspond to the size of the challenge, is to contain the virus’ spread, limit the massive disruption to households and businesses and position the economy best for an eventual recovery. As people distance themselves physically, and business activity slows, governments are stepping up to fill the gaps. This is as it should be.
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With large deficits, high leverage, and little monetary policy room left after their response to the global financial crisis, industrial countries did not start in a good position. Yet their strong administrative machinery, capable medical establishments and substantial wealth will allow them to do what it takes.

Spare a thought, then, for countries who do not have the national capacity or time to respond. Iran, Italy, and Spain did not react quickly or forcefully enough and now see their medical systems overwhelmed. With every country looking inward, there are few with resources to spare. The virus is yet to test densely populated developing countries such as Nigeria and Bangladesh.

Borders, even largely closed ones, do not offer cast-iron protection. Countries that seemed to have controlled the virus are seeing clusters of infection re-emerge, sometimes from visitors. So, pending a cure or a reliable vaccine, the world needs to fight the virus into submission everywhere in order to relax measures anywhere.

Since this is necessarily a global war, we need to organise the production of basic weaponry — testing kits, cleansing chemicals, masks, protective clothing, ventilators — across the world. All regular private-sector capacity is probably already fully dedicated to production. The private sector would create new capacity if it saw the demand was large (even if temporary) and backed by real money. Here, there are opportunities.

The World Health Organization, for example, could work with national health systems, especially in developing countries, to quickly estimate the medical equipment needed to mount a successful response. The World Bank and the African Development Bank could swiftly organise a global fund, partly through loans and partly through grants from donors and foundations in rich countries. They could help developing countries float global tenders, especially for more sophisticated equipment that cannot be manufactured domestically.

All countries could nudge capable goods manufacturers to shift capacity towards medical goods production on an emergency basis. Speed is of the essence here, and ordinary bureaucratic practice will be too slow.
Any fight will require trained front-line medical personnel. Many developing countries have far fewer doctors per head than Italy, and few industrial countries will have personnel to spare before the virus is contained at home. Again, global co-operation can be valuable.

Countries can share best practices and the few, spare, experienced medical personnel can be directed to countries of greatest need. While they may find it hard to leave their practices, it may be possible for them to help overstretched systems for a few hours a day, using communications technology and local assistants. The virus is already expanding use of telemedicine domestically. Big technology companies could help set up the infrastructure. Google’s balloon project was used to provide emergency network connectivity in Puerto Rico after Hurricane Maria.

Ideally, countries would have to fight on only one front: the pandemic. Almost surely, though, emerging markets and developing countries will be pressured by capital outflows as the dollar strengthens, commodity exports fall in value, and the easy money that flowed in over the past decade leaves. Unlike industrial countries that have access to dollar swaps facilities with the US Federal Reserve, these countries will have to go to the IMF for dollar liquidity.

The IMF has reiterated its willingness to put its $1tn lending capacity to work. It should now encourage and respond to requests for its flexible credit line, precautionary liquidity line and rapid credit facility (which is targeted at low-income countries). If the fund’s resources prove insufficient, proposals to channel liquidity from reserve currency central banks to the needy, while taking on the credit risk, will have to be dusted off.

Another front is trade. The restrictions on exports of medical supplies that countries are implementing are understandable politically but counter-productive. Reasonable rules of conduct are required.

The trade wars that have proliferated over the past few years are an impediment to post-virus growth, especially in poor countries. China and the US could support sentiment by rolling back the tariffs they have imposed on each other, and agreeing to
sentiment by rolling back the tariffs they have imposed on each other, and agreeing to a standstill on trade and investment measures until a full-blown recovery is under way.

All of this requires strong global leadership to organise, cajole, and persuade. The US, the natural leader of the G7, has not been a fan of multilateral action, while the G20 president, Saudi Arabia, seems otherwise preoccupied. The fight will be won or lost on the issue of leadership. Hopefully, the urgency of the moment will produce the global resource that is in the shortest supply.

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