

Coronavirus (COVID-19): Joint actions to win the war

The coronavirus pandemic is causing large-scale loss of life and severe human suffering. It is a public health crisis without precedent in living memory, which is testing our collective capacity to respond.

The pandemic brings with it the third and greatest economic, financial and social shock of the 21st Century, after 9/11 and the Global Financial Crisis of 2008. This shock brings a double whammy: a halt in production in affected countries, hitting supply chains across the world, and a steep drop in consumption together with a collapse in confidence. Stringent measures being applied, albeit essential to contain the virus, are thrusting our economies into an unprecedented “deep freeze” state, from which emergence will not be straightforward or automatic.

The most urgent priority is to minimise the loss of life and health. But the pandemic has also [set in motion](#) a major economic crisis that will burden our societies for years to come. In many places ambitious initial responses are underway, and this is commendable. But only a combined, coordinated international effort will meet the challenge.

The sheer magnitude of the current shock introduces an unprecedented complexity to economic forecasting. The OECD Interim Economic Outlook, released on 2 March 2020, made a first attempt to take stock of the likely impact of COVID-19 on global growth, but it now looks like we have already moved well beyond even the more severe scenario envisaged then. The behaviour of financial markets reflects the extraordinary uncertainty of the situation. It is looking increasingly likely that we will see sequential declines in global GDP--or regional GDPs-- in the current and next quarters of 2020. And while it is too early to tell how far-reaching an impact COVID19 will have on many developing countries, particularly those in sub-Saharan Africa, it is clear that even if they are fortunate enough to escape the brunt of the health crisis, they will suffer economically, just as they did after the 2008 crisis. We are closely monitoring events and will be updating our analysis regularly.

Compounding a global health crisis with a major economic and financial crisis will put large strains on our societies. Even after the worst of the health crisis has passed, people will be confronted with the jobs crisis that will ensue. Well before the outbreak, the global economy already exhibited a number of underlying vulnerabilities, which now risk worsening the downturn that COVID-19 has delivered. These include the high level of corporate debt and trade tensions between major economies. Another important vulnerability are the gaps in income, wealth and job stability in many countries, which threaten a large part of our populations. More than one third of OECD households are financially insecure, meaning they would fall into poverty if they had to forgo three months of their income. As for the trade restrictions that have proliferated in the last few years, these may not only affect badly-needed medical supplies in some settings but also generate supply-chain disruptions in food or other essential goods and services. More broadly, they increase the risk of a more severe outbreak, as well as of a deeper and longer-lasting recession.

Now is the time for urgent and large-scale responses, to be taken at sub-national, national and international levels. They must be launched at once, taking into account different time horizons and imperatives: a) the immediate need to address the public health crisis ; b) the subsequent need to get the economy up and running again; and c) the longer-term need for new policy approaches to repair the damage and ensure that we are better prepared for future shocks. The OECD is leveraging its multi-disciplinary expertise to guide and support such actions.

The COVID-19 crisis has laid bare stark weaknesses in our health care systems, from the number of intensive-care beds to the size of the workforce, the inability to provide enough masks and to deploy testing in some countries, and deficiencies in the research for and supply of drugs and vaccines.

Beyond the immediate health policy response, the world needs decisive and ambitious actions to mitigate the economic downturn and protect the most vulnerable. This is all about people: older people and the young, women and men, those on low income or no income, those who were already facing a difficult situation and who will be hit hardest.

Only with immediate, large-scale and co-ordinated actions will the economy be ready for a quick and vigorous restart. It is encouraging that many major efforts and initiatives have already been announced, but greater international co-ordination is fundamental to ensuring these initiatives produce the best results, reassure markets and support the most vulnerable countries. Co-ordination among Central Banks is commendable, the recent statement by the G7 is powerful and gives some clear directions and the G20 will be holding an extraordinary virtual Leaders' meeting next week, but much more coordination, across the whole breadth of policy areas, is urgently needed.

The OECD calls for a sizeable, credible, internationally co-ordinated four-pronged effort to provide the necessary resources to deal with the immediate public health emergency, to buffer the economic shock and develop a path towards recovery.

1. **Governments should ensure more international co-operation in responding to the health challenge.** Impressive co-ordination in the scientific effort is ongoing but it needs to be complemented by measures to ensure that vaccines and treatments, after being developed and produced, get to people as quickly as possible. Had a vaccine for the SARS-CoV-1 been developed at the time, it would have accelerated the development of one for the current outbreak given that the two viruses are 80% similar. Today, regulatory agencies (the FDA in the US, the European EMA, among others) should work together to remove regulatory hurdles for vaccines and treatments.
2. **Governments should advance joint policies, rather than taking them in an uncoordinated way.** They should finance an immediate buffer to economies to cushion the negative impact and speed up the recovery. This includes immediate spending on:
 - a. Health care: extensive testing; treatment for all patients, regardless of whether they are insured or not; support to health-care workers; return of health-care retirees, while protecting high-risk groups; the enhanced provision of masks, ICUs and respirators, among others;
 - b. People: short-term employment schemes, reduced requirements to benefit from unemployment insurance, cash transfers to the self-employed and support to the most vulnerable;
 - c. Firms: charges and tax payment delays, temporary VAT reductions or deferrals, enhanced access to working capital through credit lines or state guarantees, special support packages for SMEs, especially those in services and tourism.

A well planned investment programme – co-ordinated among countries – notably in health research, development and infrastructures, should be given priority after the height of the crisis.

3. **Central Banks have already launched bold actions to support the economy but financial regulation and supervision is another area where co-ordination could produce better outcomes.** The economic dislocation caused by the COVID-19 crisis is hitting the functioning of financial markets, banks'

incomes and balance sheets. A co-ordinated approach to monitoring, diagnosing emerging strains and taking regulatory action would yield much more positive results than disjointed and inconsistent responses.

4. Everything must be done to restore confidence. While the key to that is bringing the virus outbreak under control, it would also help to address the factors that were sapping confidence even before COVID-19 appeared on the scene, including by removing trade restrictions.

Today, as part of the OECD's response to this crisis, we are launching a platform that will provide timely and comprehensive information on policy responses in countries around the world, together with OECD advice, in some cases. We will also be releasing a series of policy briefs on a range of subjects in the context of the COVID-19 crisis: on vaccines, taxes, education, SMEs, etc. Thus, we hope to help governments learn from each other in real time, facilitate co-ordination, and contribute to the necessary global action when confronting this enormous collective challenge.

In our global world, many issues cannot be dealt with anymore within domestic boundaries, be it a virus, trade, migration, environmental damages or terrorism. Multilateral action creates positive spillovers that will be more effective for each country than if they acted alone.

We need a level of ambition similar to that of the Marshall plan – which created the OECD – and a vision akin to that of the New Deal, but now at the global level.

Cool heads, individual and collective discipline, a heightened sense of solidarity and a shared sense of purpose will allow us to overcome these unexpected and challenging circumstances.



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