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## Hopes for united fight against coronavirus recession hurt by nations' go-it-alone style



President Trump speaks at the Group of Seven summit in France last August. (Markus Schreiber/AP)

By

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The United States and other major governments have made little progress coordinating their spending, trade and tax policies in response to the [coronavirus](#) pandemic, instead bowing to nationalist sentiments as a global economic downturn intensifies, according to economists and former government officials.

On Tuesday, there was a sign that might be changing with a joint statement by the finance ministers and central bank governors of the Group of Seven nations that promised “whatever is necessary to restore confidence and economic growth” and urged all countries to take steps to offset the deepening economic decline.

Yet more than three years of President Trump's uncompromising "America First" approach is taking its toll on crisis-fighting efforts. An avowed skeptic of international cooperation, Trump this month imposed a travel ban on Europe without consulting European Union leaders. Even as the United States remains dependent upon China for pharmaceutical supplies and medical equipment, he has escalated a war of words with Beijing by repeatedly using "Chinese virus" to label the outbreak.

Other cracks in global unity have appeared. The same E.U. leaders who have complained about Trump's unilateral instincts prohibited the export of protective medical gear outside the 27-nation bloc. Saudi Arabia and Russia have deepened the economic crisis by opting to fight an oil price war as the pandemic rages.

The "every man for himself" stance comes as many economists say a coordinated response is urgently needed to avert what threatens to become [the worst global recession in nearly a century](#).

"It's not all Trump. But the instincts of the Trump administration to view suspiciously anything that is jointly beneficial or anything that constitutes a multilateral or plurilateral institution is a real problem," said Adam Posen, president of the Peterson Institute for International Economics.

An important exception on the fractured global scene has been [the world's central banks](#). The Federal Reserve this month moved quickly with its counterparts to ensure the flow of dollars to borrowers around the world, reviving coordinated monetary channels that were crucial to recovery from the 2008 financial crisis.

The administration has said it is working with other governments on a common approach. Treasury Secretary Steven Mnuchin said he is in frequent contact with his counterparts, and Trump on March 16 hosted a conference call among G-7 leaders.

But the [diplomacy has yet to bear much fruit](#), and the president also has taken actions that have infuriated U.S. partners. He encouraged CureVac, a German biotech company, to relocate to the United States to produce a potential coronavirus vaccine, according to German news reports. The company later denied those accounts, but they left German officials rattled.

Likewise, Trump's announcement March 11 of a 30-day ban on travelers from 26 European nations — later expanded to include the United Kingdom and Ireland — [stunned E.U. leaders](#), who learned about it from the news media.

The Trump administration so far has not replicated the government-to-government initiatives that the administrations of George W. Bush and Barack Obama implemented during the last crisis, including a coordinated global spending campaign and a pledge to refrain from beggar-thy-neighbor protectionism.

"Global coordination on the monetary policy front has come close to that in 2008. Much less so on fiscal policy. Even more notable is the lack of coordination on health policy issues," said Mohamed El-Erian, senior economic adviser at Allianz. "The hope is that this is a sequencing issue in the crisis management approach, with the initial operational priority being on national

policies. The concern is that it is a deeper issue, reflecting the cumulative effect of poor global policy coordination in recent years, as well as weakened multilateral institutions.”

On Monday, Angel Gurría, the secretary general of the Organization for Economic Cooperation and Development, called for greater global teamwork to develop a vaccine and treatments for the coronavirus and to provide an “immediate buffer” for hard-hit economies.

“Only with immediate, large-scale and coordinated actions will the economy be ready for a quick and vigorous restart,” wrote Gurría. “Much more coordination, across the whole breadth of policy areas, is urgently needed.”

Kristalina Georgieva, managing director of the International Monetary Fund, echoed the call on Monday. Earlier this month, Georgieva called for “a coordinated and synchronized global fiscal stimulus” akin to the 2 percent of global output — \$900 billion in today’s money — that was deployed in 2009.

This month’s G-7 communique fell short of the coordinated efforts that began within weeks of the September 2008 Lehman Brothers collapse.

In November 2008, President George W. Bush convened the first leaders summit of the previously obscure Group of 20 nations. The Washington gathering, the first of three such summits in 10 months, established the G-20 as the principal global crisis forum.

Representing about two-thirds of the world’s population and 90 percent of global output, the G-20 agreed on “the critical importance of rejecting protectionism and not turning inward in times of financial uncertainty” and promised not to enact new barriers to trade or investment.

Amid the current pandemic, it may not be possible to assemble 20 world leaders and hundreds of staffers for lengthy discussions. German Chancellor Angela Merkel already has gone into self-quarantine after being exposed to a physician who tested positive for the virus.

Government leaders could catch up with their central bankers by agreeing to action at a “virtual summit” of G-20 leaders that Saudi Arabia, which holds the rotating G-20 presidency, is planning later this week.

The pandemic also has blossomed more quickly than the global financial crisis, which began in the summer of 2007 before detonating in the fall of 2008.

“We’re just at the very beginning,” said Adam Tooze, an economic historian at Columbia University. “The question of possible coordination is going to be played out, not in the next days. The next three to four months is when the action is going to be.”

Still, as joint efforts have lagged, countries are increasingly looking out for their own. On Friday, the British government banned the export of a number of drugs, including paracetamol, morphine, insulin and adrenaline. That came days after an E.U. edict barring the export of medical protective gear such as masks, gloves and gowns to non-European customers.

“Some countries are turning inward and trying to protect their own interests even if it is to the detriment of the global good,” Eswar Prasad, a former IMF official, wrote in an email. “This is further damaging business and consumer confidence, which are already in free fall.”

Indeed, the economic emergency continues to deepen. “We are likely to see contractions in economic activity in the first half of 2020 which are typically seen only in Depressions,” economists at TD Securities wrote in a note to clients on Monday. “The decline in economic activity is likely to far exceed that seen during the Great Financial Crisis.”

Dan Price, who coordinated G-20 initiatives for the George W. Bush administration, said the group should take immediate steps to rule out new export limits or “buy local” measures that would disrupt current supply networks.

“The rapid decline in global economic activity needed to decrease infection rates calls for globally coordinated action now to ensure that the economy is not in tatters when the virus abates,” said Price, the managing director of Rock Creek Global Advisors.

The Federal Reserve and other major central banks already have taken significant joint measures. On Thursday, the Fed established new dollar funding channels totaling \$450 billion with central banks in nine countries: Australia, Brazil, South Korea, Singapore, Sweden, Denmark, Norway, Mexico and New Zealand. Through these “swap lines,” the Fed accepts foreign currency in return for a temporary loan of U.S. dollars.

The new swap lines came four days after the Fed agreed to lower the cost and lengthen the maturity of existing facilities with the Bank of Canada, the Bank of England, the European Central Bank, the Bank of Japan and the Swiss National Bank.

The aim is to prevent a shortage of dollars overseas from disrupting the financial system or weighing on the battered U.S. economy. As foreign companies and banks have scrambled to obtain dollars to repay dollar-denominated loans, the U.S. currency has risen 8 percent in less than two weeks — bad news for American exporters.

Additional help will be needed for countries that do not qualify for Fed swap lines, such as Lebanon, Colombia, Oman and Angola, said Brad Setser of the Council on Foreign Relations. But all major central banks are pursuing similar policies, including keeping interest rates at or near zero and engaging in large-scale asset purchases, he said.

“Central banks have continued to cooperate. They have built and expanded on the innovations of the last crisis,” said Setser, a former Obama administration official. “They have benefited from the fact that they have been in the front lines of economic crises for the last 15 years and have a deep reservoir of policy ideas.”

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