



# RETHINKING MULTILATERALISM FOR A PANDEMIC ERA

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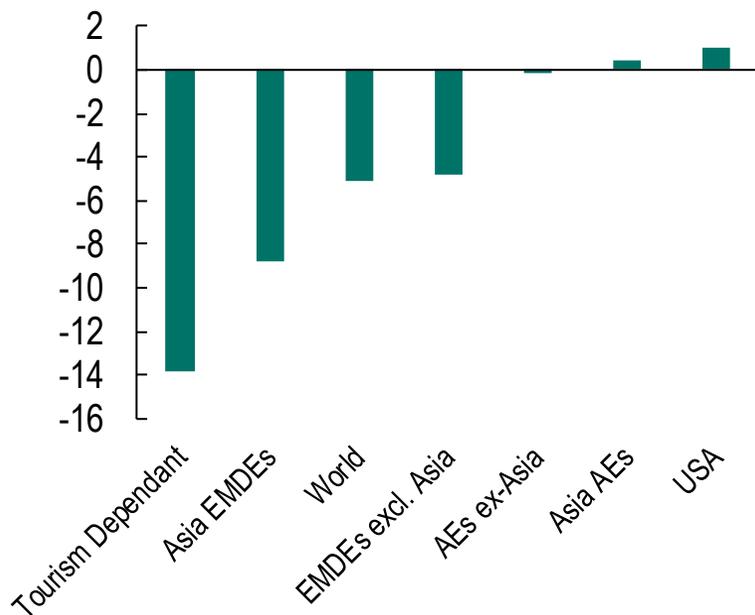


June 17<sup>th</sup>, 2022

# Economy scarred by the global COVID-19 Pandemic. . .

## Medium-term GDP losses

(Difference in cumulative growth rates 2020-25, current projection relative to pre-COVID-19 forecast, percentage points)



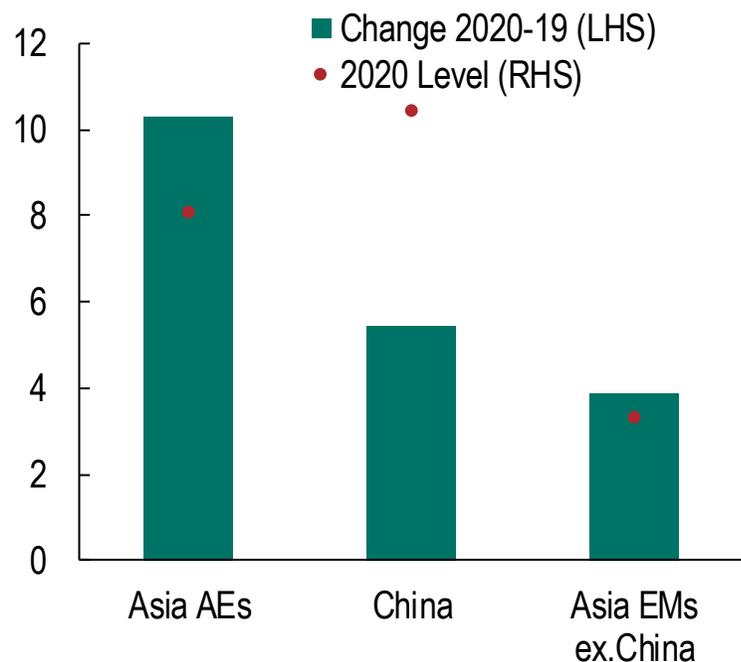
Source: IMF World Economic Outlook and IMF staff calculations.

Note: Current projections based on WEO April 2022.

Updated as of March 31, 2022. A country is Tourism Dependant if 10 percent or more of their GDP derives from tourism. These countries include Cambodia, Fiji, Maldives, Thailand, and Vanuatu.

## Change in non-financial corporate debt, loans and debt securities 2020 vs. 2019

(In percent of GDP)



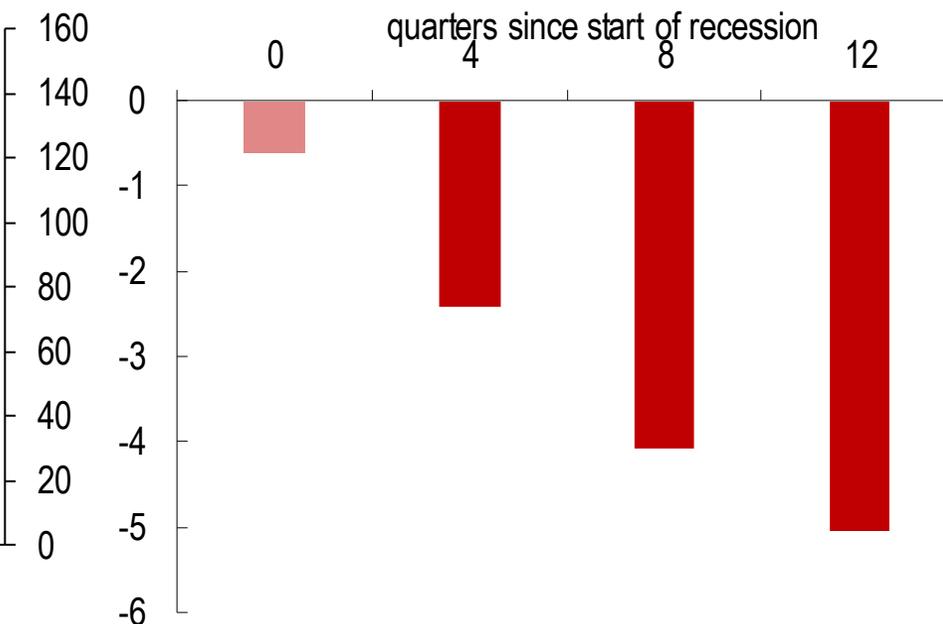
Source: IMF Global Debt Database and IMF staff calculations.

Note: Includes non-financial corporate debt, loans and debt securities.

Consistent sample across time of 12 Asian countries. Asia AEs (3): Australia, Japan and Korea. Asia EMs excluding China (8): Cambodia, India, Indonesia, Malaysia, Micronesia, Philippines, Thailand, and Vietnam. Weighted average within groups.

## Decline in investment following recessions, high debt firms relative to low debt firms

(Percentage points)



Source: Capital IQ and Estefania-Flores and others (forthcoming).

Note: Uses quarterly firm level data. Based on a difference-in-difference estimate, comparing the decline in capital expenditure for high debt firms relative to low debt firms for different horizons since start of a recession. Lightshaded bars refer to statistically not significant coefficients.

# ...and war in Ukraine has worsened outlook

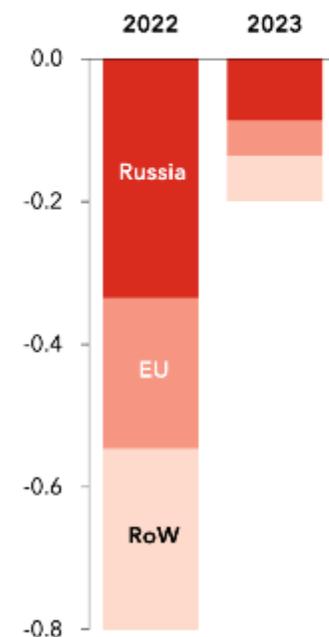
After pandemic reduced incomes, war adds to price pressures and exacerbates significant policy challenges.

## Shaken by war

Global growth has been revised down for 2022 and 2023 due largely to the impact of the war in Ukraine.

### Total annual revision

(percentage points;  
relative to Jan 2022 WEO)



### 2022 Real GDP growth

(percent; year over year)

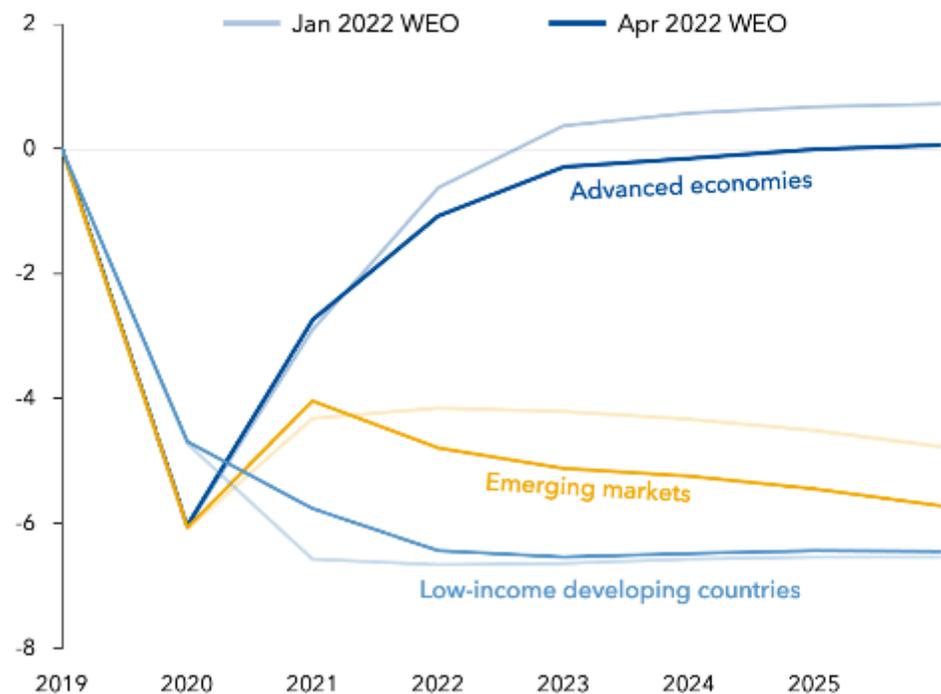


Sources: IMF, *World Economic Outlook*; and IMF staff calculations.

## Persistent scarring

Sustained divergence between advanced and emerging market and developing economies is expected in the medium term.

(percent deviation from January 2020 WEO forecasted level)



Sources: IMF, *World Economic Outlook*; and IMF staff calculations.

# Life Post COVID-19

How the pandemic has changed the world

- Remote work likely become common.
- The pandemic crisis has **accelerated the pace of digital transformation**, with further expansion in e-commerce and increases in the pace of adoption of telemedicine, videoconferencing, online teaching, and fintech.
- Governments will be bigger after playing the role of insurer and investor of last resort during the crisis. Public debt will balloon, creating financial challenges around the world.

**Sergio Rebelo.**

Professor of international finance at the Kellogg School of Management at Northwestern University.

- The way multilateralism operates will have to change to reflect this very different world.
- COVID-19 pandemic has **been testing the limits of global cooperation.**
- Power imbalances in global institutions must also be corrected to give fair recognition to the needs and rights of the two-thirds of the world's population.

**Jean Saldanha**

Director of the European Network on Debt and Development.

*The future of work has arrived faster, along with its challenges such as income polarization, worker vulnerability, more gig work, and the **need for workers to adapt to occupational transitions.***

**James Manyika**

Chairman and director of the McKinsey Global Institute.

*Too many countries suffered the **external shocks of COVID-19 without universal social protection, robust public health systems, a plan to reach net-zero emissions, or a sustainable real economy with quality jobs.***

**Sharan Burrow**

General secretary of the International Trade Union Confederation.

<https://www.imf.org/Publications/fandd/issues/2020/06/how-will-the-world-be-different-after-COVID-19>



# Economic Priorities for Multilateral Action: IMF View\*

Essential for a strong, sustained, inclusive, and green recovery

## First, vaccines.



Ensuring everyone has access to vaccines may be highest-return public project.

- Coordinated international action on vaccines is key in this respect.
- We must do whatever it takes to ramp up production capacity – and deploy a fair mechanism to redistribute vaccines from surplus to deficit countries.

## Second, international tax.

- It is broadly in the interest of countries—and of the private sector—to limit tax competition and the proliferation of chaotic, unilateral tax measures.
- We must come together to create an international tax system that is designed for the 21st century – one that is simplified, harmonized, predictable and fair, thus instilling broad public trust.
- Coordinated approach will help simplify and help create a fair tax system



## Third, Climate.

- Climate change has an impact on macroeconomic and financial stability – and presents risks to the economy.
- As the world starts to recover, we must accelerate the shift to a green economy.
- We need a robust price on carbon, which can send a critical market signal – and advance climate friendly investments.
- IMF has called for an international carbon price floor among large emitters, such as the G20. Focus on a minimum carbon price among a small group of large emitters could facilitate an agreement covering up to 80 percent of global emissions.
- We also need to unlock the potential of private finance and align the global financial system with climate objectives.



\*Keynote Speech by Deputy Managing Director Antoinette M. Sayeh

<https://www.imf.org/en/News/Articles/2021/05/19/sp051921-multilateral-solutions-to-global-challenges-dmd-sayeh>

# The Efforts of G20

To promote global economic recovery

- **Pandemic** : G20 committed to ensuring access to vaccines, especially for low and middle-income countries and enhancing global dialogue on pandemic prevention, preparedness, and response (PPR).
- **Fiscal**: G20 has provided support for emerging countries through the debt suspension as well as debt restructuring to support economic recovery in the long run. Agreed to develop multilateral models and instruments on international taxes.
- **Infrastructure**: Committed to the revitalization of infrastructure to increase social inclusion and overcome disparities through increased involvement of the private sector.
- **Digital**: G20 will bring back efforts to improve digital infrastructure to narrow the digital divide.
- **Climate**: Addressed the challenges of climate change in strengthening global efforts to achieve the goals of (UNFCCC) and the Paris Agreement and implementing the commitments of the UN COP2, including carbon pricing mechanisms and incentives.
- **Macroeconomic and financial system stability**: G20 is committed to implementing well-calibrated, well-planned, and well-communicated policies to normalize the pandemic-related policies and overcome the long-term impact of the pandemic (scarring effect).