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熊爱宗 : xiongaizong@163.com

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## Platform for recovery

The global economy has plunged into a deep recession because of the impact of the novel coronavirus. The International Monetary Fund predicted in October the global economy will shrink by 4.4 percent in 2020, better than the 4.9 percent contraction it predicted in June but still far below the level seen during the 2008 global financial crisis.

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\* 作者：熊爱宗，中国社会科学院世界经济与政治研究所全球治理研究室。

\* <https://global.chinadaily.com.cn/a/202012/03/WS5fc82b3da31024ad0ba99717.html>。



The fresh outbreak of infections will further delay a global economic recovery. In these circumstances, the G20 Summit on Nov 21-22 came at a timely moment as it injected new impetus to promote the recovery of the global economy.

Since the outbreak of the virus, the G20 has played an important role in safeguarding the stability of the world economy. This year, the G20 leaders have held two summits for the first time since 2011, which not only highlights the gravity of the situation, but also demonstrates the willingness of the G20 members to strengthen their coordination.

The G20, together with the World Health Organization, the IMF, the World Bank and other international organizations, has scaled up its efforts to reduce the impact of the pandemic on its members and provide support to developing and least developed countries to overcome the health, economic and social impacts caused by the pandemic.

The fiscal and monetary policies implemented by the G20 have effectively saved the global economy from further recession. According to the IMF, at the beginning of November, the G20 provided \$11.5 trillion in fiscal support, more than double what it promised at the G20 special summit in March, helping to improve the healthcare capacity of member states, as well as ensure people's livelihoods and employment.

Most G20 members have swiftly lowered their policy interest rates, and injected liquidity into the market by purchasing government and corporate bonds and using innovative monetary policy instruments.



At present, the interest rate of the G20's developed members is around 0.25 percent or below and that of its developing country members has dropped to a historic low since the 2008 global financial crisis. Easy monetary policy has jacked up the bank credit that provides favorable financial conditions for recovery of the real economy.

However, to promote strong, sustainable, balanced and inclusive global growth, the G20 should concentrate its efforts in the following areas.

First of all, combating the pandemic is essential to get the global economy back to normal. After the outbreak, countries have been struggling to strike a balance between epidemic control and economic activities. The global economy's turnaround in the third quarter was partly due to the large-scale economic stimulus injected in many countries, and partly due to the relaxation of quarantine measures.

However, with a fresh wave of infections happening in many countries that eased their restrictions, countries are set to tighten their pandemic prevention and control measures, which will have a negative impact on the recovery of the global economy. Vaccines are the key to ending the crisis. The G20, together with the WHO and other relevant countries and organizations, should accelerate the process of vaccine research, development and production, and ensure all countries have equitable access to them.

Second, the G20 should continue with its stimulus policy to prevent the global economic recovery from losing momentum. Given their position in the global economy, the G20



members should dynamically adjust their policy tool options in light of their actual economic development and the size of their policy space. Economies with high growth potential and ample policy space should step up their stimulus efforts, while those with insufficient policy space need to maintain the existing stimulus while avoiding premature withdrawal of policy support. In this context, the G20 should strengthen policy coordination among countries to reduce the spillover effects of one country's policies on others, especially the policies of advanced economies. The G20 should also strengthen coordination with organizations such as the IMF to provide more room for the stimulus plans of developing and least developed countries, such as promoting the general allocation of Special Drawing Rights and further extending the Debt Service Suspension Initiative.

But policy stimulus comes at a price. After the 2008 global financial crisis, governments launched massive fiscal stimulus measures, resulting in soaring government debts. The outbreak of Europe's sovereign debt crisis has highlighted the risks of high debt levels. The fiscal consolidation plan for developed countries proposed at the G20 summit in Toronto in 2010 to strengthen government debt management cannot be called a success.

Monetary policy stimulus also needs attention. Large-scale quantitative easing is bound to cause abundant or even excessive liquidity. Therefore, the G20 should avoid excessive liquidity while the economy is recovering.



Third, the G20 should seek a long-term driving force for global economic growth in the post-pandemic era. Before the outbreak of the virus, the global economy was on a downward trend due to slow productivity growth and aging populations. The G20 has taken a number of actions to address this, including increasing investment in infrastructure and promoting the digital economy.

The Riyadh Summit Leaders' Declaration endorsed the G20 InfraTech Agenda to further promote the application of science and technology in infrastructure and high-quality infrastructure investment.

Fourth, the G20 should improve global economic governance to ensure global economic development. The G20 should strengthen support for the multilateral trading system, actively advance reform of the World Trade Organization and promote the liberalization and facilitation of global trade and investment. It should also improve the global financial safety net with the IMF at the center to maintain global financial stability. In the long run, the G20 should actively promote the reform of the global economic governance structure, adapt to the changes occurring in the global economic landscape, and constantly increase the representation and voice of developing countries.



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