

## Global Institutions and COVID-19

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In this era of ‘missing in action’ United Nations Organisation, a dysfunctional World Trade Organisation and now cash strapped World Health Organisation, lack of adequate global coordinated action against the new Corona virus reminds us of the need for robust institutions.

Writing for *The Economist* on 15 April 2020, Kevin Rudd, former Australian Prime Minister and currently President of the Asia Society Policy Institute at New York opines that much of the complex web of national and global institutions established to deal with global pandemics and economic implosions has failed. While his solution of urging some countries to come together as M7 to establish a new global order may raise more questions than answers, he raises the key issue of abdication by powers of yore of their responsibilities during such a crisis.

Daron Acemoglu and James A Robinson, authors of *Why Nations Fail – The Origins of Power, Prosperity and Poverty*, take you through scores of stories criss-crossing geography and history of this planet to assert that to prosper, citizens, and nations,

need inclusive institutions which create virtuous circles of innovation, economic expansion and more widely-held wealth. Particularly instructive is the story of England, which started a process to create inclusive institutions in 1688 through the Glorious Revolution and continued for generations through a slow, arduous process to emerge a strong wealthy nation that shaped the history of the planet for more than two centuries. Similarly, it took the French Revolution to develop inclusive

political and economic institutions in 1789 that resulted in the creation of the most noted western democracy of its times, and gave us the three buzzwords of modernity: liberty, equality, fraternity. Half a century later Germany brought into the development

lexicon the concept of welfare state, thus providing the much needed social security to the working classes. No wonder, then, that these are three of the M7 Kevin Rudd proposes to rope in, others being the European Union, Japan, Canada and Singapore.



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Bringing such epochal changes at the national level requires a statesman and a visionary who understands the pulse of his nation. To replicate such metamorphosis at the international level requires much more than statesmanship and vision: the ability to wield power amongst sovereigns while at the same time a readiness to share the power equitably for global benefit. It also requires, equally importantly, a buy in by the wealthiest of nations and, in the post-industrial world, by the corporate top rungs.

Without the United States of America, it would have been inconceivable to create institutions like the UN, NATO, the WTO, or even the European Union. Since Trump's accession to the US presidency, however, multilateral institutions have fallen by the wayside like ninepins. His America First campaign call translated into a particularly forceful form of unilateralism that affected the way everyone reacted to his administration, be they NATO, the United Nations, WTO, or now WHO. For one, nations and international bodies avoided confrontation while at the same time showing their disinclination to join hands. Also, the pundits at large started perceiving it as a gradual abdication of its global leadership by the United States, and the latter did nothing to correct course. The manner in which the new administration receded from the post-ISIS Syria-Iraq and then Afghanistan was understood more as blunderbuss than the action of a statesman staking any claim to global influence.

The stubborn US intransigence in refusing to agree on appointing Appellate Body members of the World Trade Organisation since 2017, rendering its dispute settlement mechanism dysfunctional by 2019 demonstrated its willingness to shoot itself in the foot and open up myriad possibilities of its trading partners cocking a snook at it even if the US wins in the WTO court. Around the same time the US started a trade war with China, not based as much on well established multilateral principles that the WTO has religiously nourished in the past quarter of a century to the benefit of every member country and its businesses, but on unilaterally announced assessment of the trade behaviour of a trading partner on whom most of its businesses depended for raw materials, intermediates and final goods alike. To add insult to injury, tariff walls

were raised on many other countries too, equally unilaterally. The result was that China retaliated. And others followed suit, either by actual or threatened tariff increases, or seeking dispute settlement panels demanding the US takes back its tariff hikes. With the trade war in suspended animation, the only implication for businesses has been added costs and lack of predictability of trade rules, and the only implication for other trading nations has been to look askance at the future of the multilateral trading system and to look around for an alternative to the US for leadership.

No one would dispute the hypothesis of Acemoglu and Robinson that inclusive institutions, whether at the national or the global level, are a pre-requisite for economic growth and consumer welfare. The hypothesis, however, also commends that statesmen, not despots, are needed to create such institutions.



The global leader and prime mover of international action since the end of the cold war, the United States is no longer considered invested enough in this endeavour. The latest action of President Trump, to suspend a measly 400 million US dollar contribution to the World Health Organisation, pending an investigation into whether it showed a bias in favour of China in the Corona outbreak, shows the lengths to which he can go to show his wrath with or without a fair conversation with the parties concerned. And it shows why the world can no longer depend upon the United States to preserve, much less create, inclusive global institutions whether in the field of politics, economics or health. Hence it is natural for the likes of Kevin Rudd to recommend a new global order with new players calling the shots.



Reaching out for the other variable in the power matrix intrinsic to global deal making, one cannot ignore China. With its rank as the second wealthiest nation by GDP and by far the engine of global growth in the 21<sup>st</sup> century, China should be the natural successor to step into the shoes of the US as a global deal maker. Having started late yet almost conquering the coronavirus related challenges to its economy with a restart of industry and business in its Hubei Province, it is also becoming the default source of equipment needed by the world to tackle the crisis, from personal protective equipment and masks to test kits and active pharmaceutical ingredients for manufacturing hydroxychloroquine and other medicines.

Unfortunately, wealth and ability to step up to immediate needs of trading partners alone do not make a global leader. China has not been able to garner the trust required to lead a global effort even in a health crisis much less in other geopolitical challenges. With its non-democratic domestic governance system, opacity in data sharing, economically inexplicable state interventions in capital and currency markets, and lack of any experience in leading a coordinating role on international affairs, neither has China offered any overt leadership in handling matters relating to the virus nor the way to retrieve the

WHO from its current trust deficit. And given the Sino-US relationship and Trump's haranguing on China's complicity in emergence of the virus outbreak, even if China were to try, it would fail to lead such an enterprise.

It may, therefore, be conceded that there may be a point, howsoever specious from the point of view of global power centrality, in excluding both the US and China as candidates for global leadership on the ground that their infighting will mar prospects of success of any grouping with either. But if one were to choose from the G-20, as Kevin Rudd has done, which of the members have shown leadership in recent times? It was, after all, Saudi Arabia and not any of the M7 that took the initiative to call a G20 meeting on the Covid outbreak. It was France that called the G7 to order to address the issue, even though the presidency of G7 is with the US this year. This, after the European Commission President Ursula Von der Leyen rebuked EU members for looking out for themselves alone. It was the Indian Prime Minister Narendra Modi who set aside the perennial squabble with Pakistan and called a SAARC meet to address the crisis within South Asia. So much for initiative. So, is it possible to ignore power centrality in these tumultuous times and look instead to the ability to get nations together for a common cause?

As the largest democracy and an emerging economy that may be more closed than desirable in terms of liberalisation, but at least democratic, open and transparent, India does not have the credibility crisis that both China and the US have. Modi has also shown the ability to lead coalitions of the willing, whether it was the Paris Agreement on Climate Change or the Solar Alliance. India also has been at the vanguard of developing countries' initiatives in various multilateral forums, having successfully sewn up, along with Brazil, a coalition of agriculture exporting developing countries, the G20 on Agriculture in the WTO, in 2004 that enabled WTO to stay on the development dimension path of the Doha Round of negotiations. It has not demurred in leading coalitions where its own expertise gives such leadership legitimacy, such as the Coalition for Disaster-Resilient Infrastructure in the United Nations as recently as in 2019. India, therefore, does have the ability to garner like-minded nations together for a common cause.

India, even before its independence, has been the proverbial prodigy of the global compact, having been a founding member of the United Nations and the Bretton Woods twins. It was at India's initiative that the Non-Aligned Movement came into being, a coalition that enabled the emergence of a multi-polar idea in juxtaposition to the starkly bi-polar power politics of the 1950s. No wonder, then, that India has always been in favour of multilateralism and has benefitted from it immensely, whether through the United Nations, the WTO or the WHO. Therefore, India is sufficiently invested in the need for reviving our multilateral institutions to their past glory.

India has been appreciated by the WHO and others alike for timely action on coronavirus, and has built a reputation of decisive leadership. It is time for India to step up on the global platform and take a leadership role, starting with ensuring that

WHO is adequately funded after the suspension of funding by the US, and go on to create the necessary climate for revival of the WTO and other international intergovernmental institutions so that better coordinated efforts are seen in future for tackling crisis like the current coronavirus pandemic.

Nevertheless, it is also true that India does not have the financial muscle or a claim to the hot seat to ratchet up a coalition of the willing. Mere statements of intent will not deliver, even in these trying times. But then, it is eminently suited to take up the gauntlet and initiate a process of coordination and consolidation of global need of the hour. Prime Minister Modi has watched the *Garba* performance and ridden the swing in his home town with US and Chinese leaders alike with equal ease. No doubt, he will need his diplomatic corps to spread the word and coordinate global response. And they have shown their worthiness for such an enterprise in the Covid crisis as much as on other occasions, what with reaching out to 55 countries across the globe with hydroxychloroquine within a week, reaching as far as the Dominican Republic, Peru and Madagascar.

The world is reeling under the adverse economic impact of the virus, and financial muscle of a single nation may not drive a good idea to fruition in these times. But collective effort may. All the European nations in the M7 of Kevin Rudd are focussed on fighting the virus in their own domains, as are Canada, Japan and Singapore, and may not be able to take up the cudgels individually, but together they may become a serious attempt to rescue the world from unilateralism and towards multilateral responses. Nor can India, but it can and should step in to initiate the coordination and we may see an opportunity arising out of this adversity: to restore multilateralism on the planet yet again.



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