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Dollar and Sense podcast
Will COVID-19 mark the end of the old international order?
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Hi, I'm David Dollar, the host of the Brookings trade podcast Dollar and Sense. Today, my guest is Tom Wright, director of the Center on the United States and Europe at Brookings. Tom has a new book coming out called "Aftershocks: Pandemic Politics and the End of the Old International Order." This shake up of the international order is going to be our topic today. Welcome to the show, Tom.

THOMAS WRIGHT: Thanks, David, it's great to be on the podcast.

DOLLAR: So one of the themes in your book is that this current pandemic shock is different. We have had a lot of different shocks to the postwar system going back 50, 60, 70 years. What's different about this shock?

WRIGHT: I think the most striking thing—the book is co-authored with Colin Kahl, and Colin and I spoke early on in the pandemic. What really fascinated us was that this is a global shock when really there was no international leadership. Actually, there was a lot of rivalry, nationalism, unilateralism.

If you compare it to the 2008-2009 financial crisis, it was an imperfect response, but the world did come together for a moment. There was a significant G-20 meeting; the G-20 was elevated. The U.S. and China put aside differences and worked together. Dan Drezner wrote a book about that period and called it "The System Worked" because even though there were lots of problems, basically the international community cooperated.

In this case, you have a Trump administration in power in the United States and not particularly interested in the international order—actually seeing it as a bit of a threat. In China, you have a much more sort of repressive and secretive regime maybe than back at the time of the financial crisis. You have U.S.-China rivalry as the overarching framework for the relationship. Then in Brazil we have Bolsonaro. In India, Modi. In the UK, Brexit has happened. So all around the world, politics have become more nationalistic and less cooperative. What we wanted to try to do was to document this period and say what worked, what didn't, how bad was this, how does the world respond when basically there's no one at home to guide the ship? That was the overarching question that we wanted to answer.

DOLLAR: So if a key part of this is the lack of U.S. leadership, clearly some of that is related to President Trump who had a particular approach to the international order. The Biden administration has a different approach. So can the Biden administration fundamentally turn this around and in some sense restore the old international order?

WRIGHT: Yeah, I think what was interesting to us—I'll get to Biden in a second—was that some stuff still worked, and some stuff didn't. So certain things actually worked even without much formal cooperation. One that might be of interest to your listeners in particular was on the financial side, the central bank response. The international central bank response was really critical in preventing a global financial catastrophe. In some ways—we spoke to Federal Reserve officials—they were more worried in some ways this time because of the Treasury issue and other issues, really concerned, but there was a strong response domestically. The Trump administration facilitated that. Mnuchin was supportive of it and Trump did not object. And internationally, there were similar moves by other central banks. The term we heard repeatedly was correlation without coordination. Right? So everyone just acting in their own interest actually did help.
On the other hand, there was no coordination on anything else: on the shutdowns, on the travel restrictions, on assistance. There was nothing really for the developing world early on. The G-7 were not even on speaking terms. Trump last spoke to Xi Jinping at the end of March and it was a contentious phone call and never again. He hardly was speaking to Merkel. So, all over, there was lots of things that fell apart.

I think as time went on the Trump administration was sort of split. They did actually realize the significance—some of them did—of the pandemic early, but they also viewed it mainly through a China prism. So they did lots on that; maybe they neglected some of the other pieces. Then the president himself obviously just wasn't really interested in responding domestically let alone internationally.

So that brings me to Biden. Biden, obviously, and his people had a very different view of all aspects of the pandemic, and particularly the international piece. I think they have done a lot and taken a lot of steps in the right direction. Rejoining COVAX, coordinating with the international community, trying to assist the developing world, and generally being supportive of a robust response to the pandemic. But I would say even there it’s been difficult, particularly on the vaccines, because the whole world—and everyone understand it’s a global problem—but governments are responsive to their own citizens. The demand of governments is to make sure that everyone is vaccinated, and they are fully focused at home. That makes it very hard to focus internationally. So that was partly why there was a delay, particularly when India erupted—the variant crisis in India in the spring.

Even now, I think we are coming up short as a world in terms of the significance of this. The head of the WHO estimates that we need 11 billion vaccines globally to vaccinate 70 percent of the world's adult population. At the G-7 summit in the UK a couple of months ago, the total commitment was 870 million vaccines, which is less than 10 percent. Now, that sounds like a lot, and the U.S. donated 500 million of those and that is a lot, but I don't know if we still fully appreciate the magnitude of the challenge, because if we don't defeat the virus globally then we are basically remaking at best case the world to be a more fractured place where you have sort of safe areas [and] not so safe areas. There's new dividing lines, I think, being put into place that cut along socioeconomic lines, and that's deeply concerning.

DOLLAR: If I could add a footnote here, Tom, I think your point about the central bank coordination around the world is very interesting. It's easy to forget that we had a change in leadership of the Fed during the Trump administration. And personally, I think the choice of Jay Powell was, you know, if there was going to be a new Fed chair, I think that was an excellent choice. He's been part of that coordination you’re talking about. But if you remember, there were some wild names being suggested. Potential gold bugs and some unorthodox people being suggested to run the Fed. I do think that we have different types of checks and balances in the system, but as I understand it, a lot of the corporate world, Wall Street, different interests weighed in on the Trump administration that you don’t want to pick some unorthodox person to be running the Fed. And I think we have learned why that is.

WRIGHT: Absolutely. As bad as the crisis has been, it would have been exponentially worse had there been a financial collapse. That was very much a possibility had the wrong steps being taken. Now, the good news is that the right steps—and I think the Federal Reserve officials and ECB officials would say this themselves—were sort of obvious. They knew what they needed to do, and
they did it, and they were allowed to do it. But had you had someone who just basically had a very different view or totally inexperienced and didn't know what to do and there was more disagreement, then I think we could have been looking at a real financial calamity, which would have of course plunged the world into continuing structurally high levels of unemployment and poverty. So what they did to pump liquidity into the system and to basically just embark on a buying program that was unlike anything we have ever seen before, I think that did really play a crucial role in those early weeks.

DOLLAR: So let's talk a little bit about China. In the absence of U.S. leadership, China has tried to fill the void to some extent with its own vaccine diplomacy, expanding the Belt and Road Initiative. Do you see these initiatives as gaining soft power for China and helping fill a leadership vacuum or not?

WRIGHT: I think it's been a geopolitical disaster for them. I think it's been very bad for the United States, too. The U.S. had a reset button with the election, which helped. But I think that it was hugely problematic because I think the secrecy at the beginning and the refusal to really cooperate didn't help at all, obviously. And I think it wasn't just the Trump administration that was concerned about that.

Just to give you one example, the genetic sequencing of the of the virus which was shared in mid-January was a hugely important step. The Chinese government tried to stop that. I mean, they banned that from happening and then an Australian and Chinese researcher released it anyway. So there was those early steps really which were worse than SARS probably up 2002-2003. But then they got a hold of the virus; they managed to contain its spread. They were justifiably proud of that response, I think. But that then led to this very assertive response internationally.

I think it's helpful sometimes not to look at the U.S.-China angle, but actually to look at Europe-China. So the Europeans really wanted to cooperate with China. They weren't interested in structural rivalry. They wanted to find common ground. And the Chinese government basically completely alienated the Europeans by attaching conditions to the initial assistance, by engaging in this wolf-warrior diplomacy and by not cooperating with the WHO. So I think net it's not come out well for them. They didn't join COVAX either. When Trump didn't, he got a lot of criticism. They joined a little earlier than the U.S. later on, but they didn't really donate anything there.

So we have these unilateral approaches which are highly conditional. So I think they did alienate a lot of countries. On the vaccines, they were more responsive in terms of selling the vaccines internationally, but obviously they are not nearly as effective as the Western vaccines.

You would know a lot more about it than me in terms of its impact on China long-term, but I think this is sort of a defining experience for the world in dealing with Xi Jinping. And I think he probably feels that this is empowering because they responded domestically and they are stronger. But I think internationally, the soft power has just collapsed. So countries are dealing with them if they have to but they don't feel that China under Xi Jinping has been a really responsible, constructive actor in all of this really at any point.

DOLLAR: I agree with your assessment on this, Tom, and you see it in opinion polls around the world. I saw one from elites in Southeast Asia and what was striking is the very low degree of confidence in China. Worryingly low degree of confidence in the US, though improved after Biden was elected. And actually, quite a bit of confidence in the European Union, interestingly enough.
So my next question for you is it occurs to me that we may be moving into a kind of age of the middle power. For example, the Japanese have held the Trans-Pacific Partnership together, the trade agreement in Asia. The European Union is taking the lead on climate. South Africa and India have been pushing on the vaccine issue. So is there more space for middle powers, and is that an adequate substitute for real leadership from the two big powers, the U.S. and China?

WRIGHT: I wish it was, but just on the pandemic and maybe on other areas, it was really surprising and depressing to see—because we were writing this in real time—just how difficult it was for middle powers to move the needle at all. Europe is a great example. They had a catastrophic start to the pandemic. In some ways, they were less aware of the threat than even the Trump administration was. They just weren't focused on it, even when it was in Italy. They didn't have the same sense that it was very, very dangerous. And because health policy is not a core competency of the EU—it was one of the few areas that was purely national—they had no coordination, really. They were closing borders unilaterally, basically stealing each other's stuff in terms of the critical medical supplies. It was fairly chaotic and very unevenly distributed around the EU. They then got it together because they basically understood, particularly with Spain and Italy, that if they didn't do something big that it could be the end of the EU. Because if a European citizen believes that the EU is actually hurting during a pandemic, not helping, then what's the point? So they really did reform.

It's curious, when we were writing the book it was in real time. We were sort of building the plane in the air. So when we started looking at the EU last summer, it looked like a rather triumphant recovery. That they had this terrible start and then this redemptive moment with having the mutualization of debt on the economic side and more assistance on the pandemic side. But then when we go into the fall, it gets back to being chaotic. They totally missed the boat on the vaccines. They do almost nothing, very little—spend like 1.5 billion or 1.6 billion or something on vaccine development, less than 10 percent of what the United States spends, and we get back to this chaotic period. Now, again, they are doing a bit better than we are in the summer and they have overtaken the U.S. in vaccines. But internationally, I think they struggled, really, to keep the ship afloat, and they were not able to fill that vacuum. They did try in some respects, but it was very, very hard.

So I think one of the lessons that I take away is that on these transnational threats, the very major powers, their role is sort of indispensable. That the EU or Japan are not going to be able to fill that void. Just to give you one other example, the G-7 did nothing really during the whole pandemic. There was no reason that without the U.S. it couldn't have coordinated [or] there couldn't have been more cooperation, but there was very little. So I think the EU had a really tough time. They did come out of it I think reasonably okay. It's a very mixed picture, but it's tough. Like, without American leadership on the pandemic piece, we won't be prepared for future pandemics. Really.

DOLLAR: It is sobering how little international cooperation there has been on the health issue. This is the dominant issue at the moment. And there are a lot of security issues around the world where I would also argue there seems to be very poor international coordination. So I can see the case for the sort of collapse of the old international order, but let me play devil's advocate a little bit on the economic side.

You already mentioned the central bank—coordination is probably the wrong word. It's more like doing the sensible thing in parallel. But I would argue on the economic side, world trade has
bounced back much faster than anyone expected. We've got value chains; there's a lot of angst about value chains, but they have actually held up surprisingly well. You just go on the Internet, you order stuff, it gets delivered to your house. There are some obvious bottlenecks, but I would say it's held up pretty well. I'm impressed that our former colleague Janet Yellen has got that tax agreement through the G-20. China is supporting the minimum corporate tax. We have augmented IMF resources. So I guess my question is the economic institutions seem to be holding up pretty well. Is it possible—I mean, this is very speculative—but is it possible to have a world where the economic institutions function fairly well but much of the other types of cooperation falls apart on the health side, the security side, other important dimensions of the globe?

WRIGHT: It's a great point and we do try in the book to, you know, we are not, I think, apocalyptic in the sense that we say certain things worked, certain things did not, certain things survived, things are better than were expected at the beginning. But I think our argument at the end of the old international order is that 2020 was a very significant year in terms of relations between the West and China, and I think there is maybe a greater belief that in the future we are unlikely to have automatic major power cooperation like we had in 2008-2009. So we just shouldn't count on that. We should try to have that, we should work toward that, but, you know, someone like Trump could be back in the U.S. in the future. That's very, very possible [and] maybe even likely. China's not going to fundamentally change, I think, its trajectory. So we are in a world that is more nationalistic and it's going to be a tougher one to get that sort of shared approach.

On the economic side, I agree. I mean, I think that has been fairly robust. Having said that though, with the U.S.-China rivalry, one key argument in the book is that Trump really changed his view on China when he was forced to shut down the economy and embraced a lot of the containment measures that the Trump administration imposed that he had previously resisted. But when you have China sort of decoupling from the United States in the various ways it is doing it and the U.S. delinking in certain areas, and I know the financial investment side is much more integrated still, but it does look like that will be a feature. That there will be more separation than there used to be, still a lot of connection. So I think we are headed into a different world.

The way I describe it is we have different constellations now. We have a constellation led by the U.S. and a constellation led by China and both are interdependent, interlinked with each other. The two questions are, one, what does our constellation look like? How do we organize ourselves? And two, what's the optimal level of engagement between one and the other? The reason I use the word constellation is they are not fully formed separate orders. They are not blocs; they are not independent of each other, but they are a little bit different. It's not the way it used to be. It's a bit different than that. So I think we are headed into a different world.

The conclusion of the book basically is we need to prepare for future pandemics, wanting to cooperate with China, working on that, but not assuming that that will happen and being able to deal with these threats even if we don't have cooperation. I think the way to do that is we have to be prepared, if necessary, to do a lot more. Not to be as worried about burden sharing on vaccinating the world or on promoting global public health.

 Democracies can in an affirmative, positive way, spend a lot more, do a lot more, and provide on global public goods, and we have to do that. That that won't make relations with China worse. That's just a choice to actually do more on the positive side. Hopefully there will be more cooperation in the future, but I think it's hard to see at the moment how we get from here to there, and we still have these threats that are looming.
DOLLAR: So last question, Tom. You have already touched on it a bit, but if the old international order is ending, what comes next? Obviously, there are a lot of possibilities, but let’s end on a positive note. So what would be an optimistic scenario for a new or revised international order?

WRIGHT: To me, being sort of realistic about it, I think it’s one in which there are different constellations, there are different approaches, but that we manage our interdependence and manage our rivalry so that it allows for cooperation on these shared challenges. But I think that is hard.

We talked a lot to different officials around the world and, you know, if you take the WHO just as an example, everyone says we should reform it, which we should. But the reforms they mean are give it a lot more power to be able to investigate inside countries like on nonproliferation, the IAEA powers. Well, China is never going to agree to that, and the United States is probably not going to agree to that either. Or if they do, a future administration may not. So what do we do? That’s the type of practical question we try to address.

Our answer on that is the U.S. should stay in the WHO, should work for reform, should work with China on trying to find reforms, but also recognizing that may run into a brick wall, the U.S. should also work with like-minded countries on global public health and set higher standards of transparency. You know, have a new gold standard of transparency in the time of pandemic, coordinate on travel and other restrictions, do all sorts of things that we would like to see the WHO do but they may not be able to do. So, just do them anyway. Then have more of a gold standard approach that is a backstop but also may allow those countries in a time of crisis to have a collective position to say, look, wherever it is, you have to come up to this standard or we will act in a coordinated way to deal with this global public health challenge.

So I think that’s how we try to thread the needle. It’s not saying give up on working with powers that we don’t agree with, but it is saying let’s figure out a way to do more with those who will do it. And these are not—health is a national security issue, but most of this is not zero-sum. It’s not like we’ll do freedom of navigation operations together and be competing with another power. It’s really about how do we strengthen the resilience of the world to protect against future pandemics and treat this really as a warning shot—it’s more than a warning shot—to treat this as a warning that we are better prepared the next time.

DOLLAR: I’m David Dollar and I’ve been talking to my Brookings colleague Tom Wright about his new book, “Aftershocks,” about how the pandemic has really shaken up the international order and what’s likely to come next. So thank you very much for joining us, Tom.

WRIGHT: Thank you, David.

DOLLAR: Thank you all for listening. We’ll be releasing new episodes of Dollar & Sense every other week, so if you haven’t already, follow us wherever you get your podcasts and stay tuned.

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