

THE BROOKINGS INSTITUTION
BROOKINGS CAFETERIA PODCAST

CHALLENGES IN THE POST-COVID GLOBAL ECONOMIC RECOVERY

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PARTICIPANTS:

FRED DEWS
Multimedia Project Manager
The Brookings Institution

BRAHIMA SANGAFOWA COULIBALY
Vice President and Director
Global Economy and Development
The Brookings Institution

DEWS: Welcome to the Brookings Cafeteria, the podcast about ideas and the experts who have them. I'm Fred Dews.

Before I introduce today's guest, I have a special announcement. After eight and a half years and over 400 episodes, I'm closing the doors of the Brookings Cafeteria and ending this podcast. This is the third of six final episodes airing through the end of March, in which I'm talking with all five research vice presidents at Brookings and finishing with an interview with Brookings Institution President John R. Allen. In these episodes, Brookings leaders will be talking about the most important policy challenges and solutions of our time.

But this is not the end of Brookings podcasts. While the Cafeteria is closing shop, we're still producing other shows and launching new ones on a range of policy topics that will interest you, including Dollar and Sense: The Brookings Trade podcast; The Current; and Foresight Africa. Here's the host of Foresight Africa podcast, Aloysius Ordu, with more on that new show.

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ORDU: Welcome to Foresight Africa, a podcast that celebrates Africa's dynamism and explores strategies for broadening the benefits of growth to all people of Africa. I'm your host, Aloysius Uche Ordu, senior fellow and director of the Africa Growth Initiative at the Brookings Institution.

I'm excited to be with you on this journey—a journey that will take us from Cape Town to Cairo; from Dakar to Lagos to Mombasa; as well as to the heart of Africa—DRC Congo.

In this podcast we will interview experts, and policymakers from the public sector, the private sector, civil society, and Africa's youths. We will talk about the key trends affecting people and the nations of the African continent.

I will encourage you to follow the Brookings Podcast Network @policypodcasts and visit us online at brookings.edu/ForesightAfricaPodcast.

DEWS: And we have other new shows in development on topics ranging from the U.S.-China competition for human talent to rural America to fossil fuels. Visit [Brookings dot edu slash podcasts](https://brookings.edu/podcasts) to learn more and sign up for the podcast newsletter to get notified about new shows. You can also follow us on Twitter at Policy Podcasts for episode highlights.

And now on with the interview with Brahim Sangafowa Coulibaly, vice president and director of Global Economy Development at Brookings. Coulibaly, welcome back to the Brookings cafeteria, but unfortunately for the last time.

COULIBALY: Thank you, Fred, for hosting me.

DEWS: Well, it's terrific to see you. And let's start with a wide view of the global economy and the state of recovery amidst the ongoing COVID-19 pandemic. How would you explain the key points about what's going on?

COULIBALY: The state of the global economic recovery, it's a mixed story. I think we have not experience, as you know, the global economic shock like COVID since World War II. Global trade fell drastically with lower demand, but also with the border closures. Commodity prices collapsed, then we saw really massive capital outflows and sizable increases in borrowing costs for many countries. So in addition, we also had measures to contain and eradicate the virus, including confinements and the quarantines, which were the right policies, but they did amplify the economic impact. So in a typical crisis, you would have one or two of these shocks operating. But with COVID it was analogous to having several crises combined in one. So understandably, economies around the world came to a synchronized standstill, and the most sizable economic contraction in 2020.

So now if you fast forward to a year later, in 2021, growth rebounded sharply to six percent almost. And it's on track to expand to four and a half percent again this year by some

estimates, even as the virus continues to linger. So from this perspective, this is also a story of resilience, but it is an unfinished agenda because the recovery itself is uneven. Advanced economies and some emerging markets and developing economies such as China, will recover all of its COVID related GDP loss by this year. But for others, it's not going to happen until next year and possibly later. So this divergence, first due to differences in policy support, is being amplified then by uneven access to vaccines.

And finally, because of the faster recovery in the advanced economies and the high inflation, major central banks have begun to raise rates. And those higher rates are going to push up borrowing costs for the emerging markets and developing economies and make their recovery even more challenging. So clearly, it's a global recovery that is far from consolidated and remains fragile. So again, I think it's a story of a mixed recovery.

DEWS: So, with that divergence that you talked about and with issues like increased borrowing costs for countries, what are some of the more specific effects of COVID-19, especially on the countries that will face those kinds of challenges countries in the developing world?

COULIBALY: So for those countries in the developing world with the COVID-19, it means they have to face both the health crisis and also the economic crisis. And the economic crisis itself requires a lot of fiscal support to kind of cushion it. But the health costs also, you add that on top of the economic cost and then all of a sudden, they're faced with severe financial development, financing constraints. And we've seen sovereign debt rise drastically in response to the policies they have taken. And that on top of the cost they face going forward is going to create a situation where the debt situation looks unsustainable. And then what makes me particularly worried about the outlook for global interest rates that are likely going to look up in the next months or so.

DEWS: So, COVID-19 is a major global challenge, and at present it seems to underlie every policy topic we could possibly talk about, both on the global scale, domestic U.S. politics, domestic U.S. economy, global economy. What are some of the key challenges of COVID, but also beyond COVID, that the Global Economy Development program and its scholars are looking at? And how are they addressing them going forward?

COULIBALY: So the main challenge really with the global economy, and this preceded COVID, is that the tremendous benefits that globalization has generated have not been evenly distributed, and the discontent is now growing among large segments of populations in the advanced and developing countries alike. I think it was true before COVID, and COVID has likely made it worse with its disproportionate impact on the most vulnerable countries and communities.

But to appreciate the impact of COVID, we have to look beneath the headline GDP numbers to assess the impact on lives, livelihoods, particularly on the most vulnerable countries and communities. And current estimates suggest COVID would push an estimated 100 million people into extreme poverty, and inequality also is on the rise.

So besides then the COVID, there are also some megatrends that we are attentive to that could cause challenges, such as climate change, and then the global technology divide, which will add to the growing societal disparities and represent key challenges. On technology, for example, I think it was important for competitiveness, but it will now play an even bigger role in the post-COVID economy. And I've always believed that the future will be digital, but COVID has likely accelerated that future. Yet, I think the vulnerable countries and populations have more limited access to technology and are therefore at a disadvantage to compete in this new normal.

So the recovery policies under way will need to be much more intentional about addressing these inequalities. Otherwise, I very much worry that we could sooner or later face the social and political consequences.

Now, in terms of what our program is doing about it, my colleagues and I have focused on these societal inequities long before COVID, and the COVID we've experienced has caused a surge in demand for our content, and engagement also with policymakers at the local, national, or global levels. Just to give you a couple of examples. First, when COVID hit, it was clear to us that several countries did not have enough resources to combat the pandemic and shore up their economies. So through our work in the T20 process, we made a case to the G20 for more support for these countries, including suspending debt repayments and creating special drawing rights, which helped with vaccine purchases and also helped cushion the economic impact of the pandemic. And in the fall of 2020, you would recall that we also launched a new Center for Sustainable Development that is led by my colleague John McArthur. The center represented an institutional commitment to double down on the United Nations Sustainable Development Goals agenda, which has poverty eradication and prosperity for all at its core. And the creation of the center could not have been more timely, and John and the colleagues in the center have been really busy working closely with policymakers at all levels to make sense of the pandemic and to design the best policy responses for a more inclusive and sustainable recovery.

DEWS: Let me plug here the recently concluded first season of a new podcast from the Center for Sustainable Development, in partnership with The Rockefeller Foundation, 17 Rooms, which focuses on achieving the 17 Sustainable Development Goals and the people working toward them. So people can find that on our website, Brookings dot edu slash 17 Rooms podcast. Sorry, go on.

COULIBALY: I think besides the work the center has done, you would recall too that quality education, as you know, is really the most important pathway to break the cycle of poverty and inequality. So when COVID also started, schools were closed and later switched to virtual learning, education leaders were in uncharted territory, and our Center for Universal Education under the leadership of Rebecca Winthrop and Emiliana Vegas have worked with policymakers around the clock on strategies to sustain the quality education and ensure that the learning losses due to the shutdown are minimized.

So this is just a sampling of the work our scholars have done really to help redress inequities and generate shared prosperity. So COVID, in some sense, has really underscored the importance of our program's mission.

DEWS: I'd like to narrow our focus a little bit now, and that is on the region of Africa. When we last spoke on the Cafeteria podcast just about two years ago, a little over two years ago when you were then director of the Africa Growth Initiatives, we talked about challenges and opportunities for Africa over the next decade, as highlighted by then the 10th annual Foresight Africa report. It comes out every January. This was before COVID had really erupted around the world. And then in that episode, Coul, you talked about the positive economic environment in the region, enthusiasm for regional integration, and improvements in governance on the continent. But how has COVID 19 altered those positive trajectories for African nations?

COULIBALY: Yeah, that's a that's a good question, and I could see how it could be difficult to unpack and to reconcile. But my view is that although it might be too soon to draw definitive conclusions, I think COVID has exacerbated some existing challenges, but has not fundamentally altered this trajectory that you outlined. And as I mentioned earlier, COVID will hit the economies hard and Africa was not an exception. The region saw its own first economic contraction in 2020 for the first time in decades.

But it is also showing resiliency. Growth rebounded last year, and the recovery continues to consolidate this year and beyond. And the region will continue to be home to the fastest growing economies in the world based on the latest projections. Moreover, you're going to have two-thirds of the economies will expand at five percent and one-third of the economy will expand at six percent per year on average over the next five years. So now compare that to a global growth rate of 3.5 percent.

So growth outlook is good and the region is recovering, but there nonetheless remain some concerns, and there are a couple of key concerns. And the first one is the vaccine distribution. It has been slower for the region, and the region is not on track to currently reach the WHO's target of 70 percent by mid-2022. Progress is under way, with ramping up of efforts to boost local vaccine manufacturing capacity.

And the second concern for me is the economic outlook for Nigeria and South Africa, which are the region's two largest economies, and they continue to underperform.

And then besides the growth, the regional integration agenda is proceeding well with the Africa Continental Free Trade Area to give a much needed boost to intraregional trade, currently at only 17 percent. But when you compare that, say to Europe or Asia, where it's at 70 percent, 60 percent or so. So there's still a long way to go to harness the full benefit of integration. But the CFTA is indeed making great progress.

And then you have the economic, management, and business environment that also continues to improve, and information technology spreading, helping to unleash the entrepreneurial spirit of young people across the continent.

So in short, the fundamentals really remain solid. But post-COVID, policy will need to double down to address the long standing structural challenges. And among those I would put up on the top job creation. So ensuring that growth is translating into more job creation than it has in the past; to employ gainfully the burgeoning youth of the continent will be an

important challenge to address with urgency. The integration of women and young people into the economies and to provide them with a greater representation and voice in decision-making is also a critical agenda. And then finally continuing to strengthen governance and eradicate corruption. So, our Africa Growth Initiative, led by Aloysius Ordu, you mentioned him earlier, as you recall released a report last month, Foresight Africa, which is our flagship publication for the region, and it provides really an impressive assessment of the situation and it is accessible on the Brookings website.

DEWS: I'll also add for listeners that the Foresight Africa podcast is available now on the Brookings website at Brookings dot edu slash Foresight Africa podcast, in which Aloysius talks about a lot of these issues, often with contributors to the Foresight Africa report and also leaders in the region. It's a great show. And by the way, Coul, the two most recent new Brookings podcasts, 17 Rooms and Foresight Africa, are both coming out of Global Economy and Development programs. So that's pretty exciting.

COULIBALY: Yeah, that's great. Thank you, Fred.

DEWS: Let's move to another big issue that global program focuses on, and that's multilateral institutions. During the former president's administration, we know that there was opposition to certain alliances, there was opposition to certain multilateral approaches. Now, a year into the Biden administration, what are you seeing that's different?

COULIBALY: It's true that multilateralism was not at his best during the previous administration, and some of the policies taken by the Biden administration in the first year have given a massive boost to multilateralism. I can go into a couple of examples. You will remember the Trump administration had withdrawn from the Paris climate agreement at a time when there was consensus that the danger from climate change is more and more imminent. So, on the first day in office, the Biden administration not only returned the U.S. to the Paris Agreement, but has also raised U.S.'s own domestic ambition and is playing a key

leadership role on the climate agenda globally. And the Trump administration had also withdrawn from the World Health Organization at a time when COVID was rampant with no end in sight. And the Biden administration reengaged with the WHO and the U.S. is now playing a leadership role in vaccine donation and distribution globally. And then the other multilateral institution is the World Trade Organization, and it was also paralyzed during the later years of the Trump administration because of their reluctance to endorse the consensus candidate to be the director general. Moreover, the U.S. was also blocking the appointment of judges to the appellate court, which de facto stripped the institution from its main tool for adjudicating global trade disputes at a time when concerns around trade barriers that are erected in response to COVID was one of the key issues. So the Biden administration also reversed course there.

And finally, and importantly, the Trump administration had blocked the creation of the special drawing rights at the IMF. The Biden administration, under the leadership of our former colleague, now Secretary Yellen, supported the creation of those SDRs, and they're now providing much needed resources to purchase vaccines and support economic recovery.

So these are examples that really illustrate the difference between the two administrations when it comes to multilateralism. So I would say by all accounts, it has been a very successful first year for the Biden administration and multilateralism.

But that being said, even before the Trump administration, it was clear that multilateralism was overdue for reform, to be better fit to address the global challenges of the 21st century. I hope that the Biden administration can use the remainder of the first term to lead an ambitious reform agenda on a renewed multilateralism.

And finally, in the Global program, an important part of our work, as you mentioned, has been on this topic, and we've been working with experts from both the global north and global south to brainstorm and produce some policy recommendations on what a reformed

multilateralism could look like. It is entitled “Essays on a 21st-century multilateralism that works for all,” and it is available on the Brookings website.

DEWS: Well, the portfolio of the Global program is vast, it is the Global Economy and Development program, after all, and there’s a lot of issues that we haven’t covered yet. Do you want to highlight for listeners any more of the issues that you and your colleagues in Global are working on?

COULIBALY: Perhaps a couple of issues, I wouldn’t say we didn’t cover, but perhaps didn’t go in deeper detail on. One is on the sovereign debt outlook and the climate change, I would say. So we know the COVID shock and the fiscal responses, as I mentioned earlier, had led to the really deep deterioration of the sovereign debt outlook for the several countries in the developing world. There are 60 percent of the low income countries either in or at risk of debt distress. So with the interest rate increases in advanced economies more imminent, it could precipitate the sovereign debt defaults for many countries at a time when the global financial system is not well equipped to address sovereign debt restructurings. So this is really urgent to finalize a common framework that will make that work much faster and easier. But there’s really no easy solution, admittedly.

The other one is on climate. I think the clock is really ticking for us to reduce carbon emissions and limit global warming. Climate change is having a disproportionate impact on the most vulnerable countries and communities due to their reliance on the primary sectors: agriculture, fishery, forestry. Yet they are the least resourced to deal with climatic events, which are increasingly more frequent and then also intense. So the notion that climate is an issue for future generations is really misguided, and we are experiencing this impact of climate change already and it will get worse. And despite some progress over the past decades, I think collective action to move forward on the agenda has fallen short and the next years represent really a critical last window of opportunity to ramp it up at all levels.

So to respond to the urgency of the moment, we also launched last year here at Brookings the Brookings Initiative on Climate Research and Action, and it also represents an institutional commitment to generate leading research and insight to deliver on the climate agenda with more urgency. And our communications team launched a website for the Climate Initiative where you can access all the publication and our latest take on the global climate agenda and challenge.

DEWS: Well, I will link to that in the show notes of this episode. And, you know, we can have a podcast episode for every single one of those issues that you talked about, if not more than one. And I'm glad to say over the years, I've interviewed so many colleagues in Global Economy Development on so many of these issues. All of that content will remain available on the Brookings website forever more. So I hope people will, if they're interested, take deeper dives into some of these podcast episodes and the research that it all links to.

Coul, the question I'm asking all of the research vice presidents, as we wind up, is looking ahead, what are the issues that you yourself are focusing on, both in your own research and as the vice president of global economy development at Brookings?

COULIBALY: As a vice president, it comes with the management of the program. So a lot of my time is spent on that and it's focused on supporting our scholars who are global thought leaders in their areas of expertise, some of which I mentioned earlier, and ensuring that they are all well supported and are set up for success.

My own research agenda is varied, but it has focused in the past months on the multilateralism because even an uptake of the best national and local policies will not be effective at addressing some global challenges unless global cooperation is strong. So I think that's an important agenda. And all too often multilateralism is treated as an end in itself, but I believe that it must be reimagined as a means to empowering people and enhancing social

prosperity globally. And the collection of essays you referred to were edited by myself and my predecessor, Kemal Derviş.

I also focus on the job creation as generating enough formal sector jobs, that I believe is the most dignifying pathway to breaking the poverty and inequality cycle in a way that is most beneficial to the global economy. But yet, job creation is increasingly difficult due to globalization, automation, and capital intensity of production in manufacturing. And I'm in the final stages of a new book that proposes some strategy to generate large-scale formal sector jobs, even in this challenging context.

DEWS: Well, Coul, over the last eight and a half years, I've had the privilege of interviewing so many of your colleagues in Global Economy Development, including yourself. It must be close to a quarter of all the Brookings Cafeteria Podcast episodes. And I've learned a lot, and I hope listeners have, too. It's been a privilege. And as always, thanks for sharing your time and your expertise with us today.

COULIBALY: Thank you, Fred. Let me end with this also by expressing my gratitude to you on my behalf, but also that of my colleagues in Global for the great work that you've done with the Brookings Cafeteria to spotlight our work and expertise of our scholars. And we look forward to working with you in another capacity. Thank you, Fred.

DEWS: A team of amazing colleagues makes the Brookings Cafeteria possible. Gaston Reboredo is the audio engineer; our audio intern this semester is Skye Sutton; Bill Finan, director of the Brookings Institution Press, does the book interviews; my Communications colleagues Adrianna Pita, Chris McKenna, Chris Peters, and Colin Cruickshank are key collaborators. And finally, Ian McAllister, Soren Messner-Zidell and Andrea Risotto provide guidance and support.

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Until next time, I'm Fred Dews.