

Center for Strategic and International Studies

TRANSCRIPT
CSIS Press Call

“Global Disruptions from COVID-19”

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CALEB DIAMOND:

Good morning, everyone. Thanks for joining us today. I'm Caleb Diamond with the External Relations team here at CSIS. First, we hope you and your families are safe.

Today we want to talk to you about the sort of range of disruptions we expect to see from COVID-19, sort of taking – you know, both looking at the short-term consequences and the long-term impacts. There's a health aspect, of course, and then the economic disruptions are becoming clear as well. And then we're also beginning to see governance challenges today.

Before we begin, I would like to introduce our speakers. They'll each deliver brief remarks and then we'll open it up to a question and answer session. We'll begin with Steve Morrison. He's director of the Global Health Policy Center here at CSIS. He'll be followed by John Alterman, director of the Middle East Program and the Brzezinski chair in global security and strategy. And last, but not least, we'll finish up with Scott Kennedy. He's the trustee chair in China Business and Economic here at CSIS.

With that, I'll turn it over to Steve.

J. STEPHEN MORRISON: Thank you, Caleb.

I'm going to focus my remarks in this opening segments on the evolution of the controversy regarding the World Health Organization. I'm happy to come back to other related issues in the questions period. We will be issuing a piece on WHO on Monday. We've also just recently issued a piece on the status of the outbreak here in the District of Columbia and the broader capital region, which we posted yesterday.

As you recall, April 14th President Trump announced there would be a review – a 60- to 90-day review of the U.S. relationship with WHO, focused mostly on the assessed contributions and, it appears, has stopped voluntary contributions, which are the bulk. Our assistance on the current two-year biennial budget is \$893 million. We are in significant arrears already on that funding.

Trump's action raises – certainly raises legitimate issues around WHO, around the speed of its decision making, around the fact that the international health regulations have no teeth in terms of empowering WHO to act against states. The emergency program, there's been a debate over the years around is that program sufficiently independent in its governance and its ability to raise funds and operate.

Obviously, this – all of this controversy all gets back to China, and back to allegations that WHO's been too uncritical in accepting data provided to it, particularly in that critical period in early January when there was a debate over whether there was human-to-human transmission. And the

treatment of Taiwan – Taiwan has been denied observer status since 2018. That’s a subtext – and important sub-issue.

So while people have recognized the legitimacy of these issues, the general reaction has been that simply slamming WHO in this manner, that those measures are seen as extreme, price paid too high, by WHO. And I’ll get into more in a moment on those equities. And that WHO is – the assault on WHO is conflating it with anger over China, and the whole question of the origin of this virus.

The position that’s been taken by the administration’s attracted strong support, increasing support within – among Senate Republicans and House Republicans, and the pro-Trump media. It’s also stirred opposition from Democratic leadership in Congress around – that’s reminiscent of the Ukraine debate over funding. Congress retains an important role in whatever changes are made in reprogramming money. There will be some process of negotiation that happens.

The administration and those Republicans allies in Congress find themselves very boxed in at the moment. WHO and Tedros are not going away. They’re going to bend significantly in this period. The U.S. finds itself very isolated and the subject of pretty widespread alarm and criticism. Bill Gates described this as dangerous, as dangerous as it sounds. Richard Horton of Lancet described it as a crime versus humanity. Guterres, the G-7, and others have all been pretty adamant in rejecting these actions as extreme and not siding with calls for removal of Tedros as the director general. Appeals to Australia, Japan, Hungary, Poland to come in overt alignment with the United States have not paid off.

What we do see right now in the situation in Yemen – and Jon Alterman will have something to say about this – I expect is we’re beginning to see the consequences of withholding funds from WHO. As we’ve seen in Mark Lowcock’s testimony recently before the Security Council, accounts in today’s Washington Post, we’re very rapidly approaching a situation of a health crisis, a food-security crisis, a COVID-19 crisis in Yemen, in which the WHO will be denied U.S. support and programs, 80 percent of programs at risk just in the next 10 days.

So is there a path out from this standoff? Can we separate our concerns with WHO with our concerns with China? Can we have – can we see a way forward? And I believe there is still the possibility of a way forward that could be organized around an interim review. That idea is getting deliberated. There’s a precedent for that in the interim review that was conducted on Ebola between January and May of 2015.

That review could look at the independence of the emergency program, its governance, its budget – (audio break) – open to more private sector. It could look at the speed of decision-making, Taiwan, and the

fundamental issue of whether the member states – China, the United States, other member states – are willing to cede some of their sovereign control in order to create a WHO directorate that has true authority and gravitas. Up to now, that has not been the case. There's discussions around possible short-term organizational changes and whether a senior American could be added into the mix at WHO.

Such an independent review, if it were to be agreed upon, could be done by the end of the calendar year, which I think would provide at least some measure of – (audio break) – of the concerns that the Trump administration has put forward.

How to work such a deal is the key question, how to walk back from the ledge on this. It depends on the calculations that are made at the White House and the State Department, in the Senate, and at WHO itself.

A couple of final words. It's very important to turn down the noise around these issues and move into some kind of quiet dialogue. As I said earlier, it's important to separate our concerns with WHO with our anger over China. It's important that U.S. leadership see this moment of crisis in the world in which the COVID-19 pandemic is moving in rapidly into low-income countries, countries with very large urban – dense urban populations, highly vulnerable, that we cannot afford to pull back and damage WHO at this moment when its role in those countries is so vital, as well as the role that it plays across all sorts of different health programs.

Senate Republicans and Democrats have it within their means to work a deal quietly, to carry forward a dialogue. WHO has a role, obviously, in trying to enter such a dialogue. And any dialogue would have to reaffirm, I believe, the value that WHO brings in terms of promoting science and technology, promoting critical programs in low-income countries, infectious diseases, maternal health, nutrition, and the vital importance of its emergency programs and setting of norms and guidance.

Thank you. I'll close there.

MR. DIAMOND:

Jon, we'll turn to you.

JON B. ALTERMAN:

Thanks very much, Caleb.

I am – (audio break) – the Middle East. I'm not used to being the optimistic voice in the room, but – (audio break) – the Middle East has – (audio break). And there's sort of – (audio break) – in my mind that Iran has not turned into the harbinger in the Middle East from a public health perspective. I mean, we've had places like Ecuador that have been creamed much the way Iran has. But even in countries where there's a lot of travel to and from Iran – countries like Lebanon – they're relatively – (audio break) – and it seems to have gotten ahead of the curve in many of

its restrictions. Egypt, a large number of early cases tied to some of the Nile tourism boats, seems not to have had a huge explosion of COVID-19, which a month ago seemed almost inevitable.

This is important because these are countries where, if it hit there like it hit in Iran, it would be a total game-changer for political and economic stability in the region. Instead, we see the Middle East mostly reacting to the secondary effects of the COVID-19 crisis, which are the plunge in oil demand around the world and the plunge, therefore, in oil prices around the world. That affects the Gulf countries, but also the poorer countries in the Middle East because it hits their foreign direct investment. A lot of the – (audio break) – the region, and that's drying up. Remittances, people from the Arab world who worked in the Middle East who were sending money home, was a large part of the budget in a country like Egypt, where the country gets a lot of foreign exchange from Suez Canal tolls. As global trade has gone down, receipts from Suez Canal tolls have gone down. And then, of course, tourism is – and tourism in the Middle East is the combination of religious tourism, people on pilgrimage; leisure tourism; and the tourism of people – (audio break) – the Gulf to go to India and all those things, and – (audio break) – all of those things have gone away.

(Audio break) – again, much more optimistically than one might have thought a month ago, you have some – (audio break) – places like Iraq, where you partly have an economic problem brought on by the fallen oil prices but have enduring political challenges. The Iraqis have been rotating through potential new prime ministers, none of whom have been able to get support from the parliament to be (over that hump?). Now the economic (problems?) have pushed them there, but – (audio break) – really seems to be at the extreme.

Of course, in the countries that are undergoing civil wars at the moment – Steve mentioned Yemen; you also have Syria and Libya – we are starting to see the first COVID-19 cases there. Whether ongoing famine/displacement/warfare make those follow either an Iran trajectory or more, or whether there's something we don't understand that means it won't have that effect, I think is something we're going to have to look at.

I think that this – the most curious example, as I said earlier, is Lebanon, because here is a country which you don't think of as exhibiting a lot of resilience. They have a huge banking crisis. They've had an ongoing political crisis for years. And then, despite these things, Lebanese society seems to have drawn together. They reportedly have just over 600 cases in the country, 22 deaths, for a country where there are a lot of ties to Iran, where the government's legitimacy is in question, where you have Hezbollah presumably in contact with Iranians in Syria. And yet, you haven't had an explosion. It forces us to rethink here's what the impact – (audio break) – how it is transmitted, how does it affect the region.

When I spoke to a group on a press call a month ago – (audio break) – it seemed to me that they were headed for a very different situation. Now I think I have many more questions – (audio break) – which given the Middle East – (audio break) – having questions rather than answers is not a bad thing.

And I'll turn things over to Scott.

MR. DIAMOND: Scott, we'll turn it over to you.

SCOTT KENNEDY: Sure. Thanks so much, Caleb, and happy to join the call.

Caleb asked us to think about a variety of kinds of disruptions that are occurring, and I want to mention three that are occurring or not occurring unexpectedly and then look forward to the conversation.

The first – you know, I manage CSIS's work on China's economy, domestic and international. So my comments are all going to flow around those type of issues. The first is around China's growth. A week ago China reported its first quarter growth numbers. I think everyone's followed that. We published a story, or a commentary, yesterday on that.

And you know, it was absolutely horrific data from China. Negative 6.8 percent growth year on year. If you Q4 versus Q1, it was down 9.8 percent. Really historically horrible numbers. Four and a half million more Chinese out of work. China needs to employ 10 million a year, so they're going in the opposite direction. But in March things stabilized. Companies started returning to work, including small- and medium-sized companies. And that – I think China's bottomed out, at least through the first phase of all of this.

Nevertheless, one might think because of these horrible numbers China might be scared into embracing economic reform. That's not going to happen. This is not going to disrupt Xi Jinping's hold on power, not going to disrupt China's ongoing effort to expand the role of the Communist Party and its control over different parts of the economy. So what we're going to see instead of market liberalization in China is tripling down on state intervention, greater spending in infrastructure, greater efforts to dominate in high tech, and greater efforts to expand Chinese economic and political influence abroad.

Second point about U.S. and Chinese leadership, Steve's already talked about the WHO, but I just think it's really interesting just to reemphasize, you know, if you follow Twitter there's some Chinese and U.S. officials, or former officials, who in justifying or rationalizing this transition in who's paying the WHO by pointing out that this is just a greater cost to the Chinese. Well, these are tiny little costs. And so the U.S. is not paying – or, planned not to pay, if we follow reports, you know, of what Pompeo said yesterday.

At the WTO, the U.S. leadership is also lacking by unwilling – being unwilling to appoint new members to the appellate body. You could say that to lots of areas. I would just also mention that the WTO – they just issued a report where – that found countries around the world are expanding export restrictions in a way that didn't occur after the global financial crisis 12 years ago. And so we're seeing a lack of U.S. leadership in multilateral institutions broadly, not just at the WHO, and greater Chinese influence.

Lastly, I just want to make a – I'm sure many of you are interested in questions of supply chains, globalization, decoupling, and the view that in order for the U.S. to reduce these types of risks that it's facing as a result – that are becoming clear through this crisis, the U.S. needs to domesticate a lot of its production for a whole variety of things, including medical equipment. Well, let me point out that Taiwan, as close to China as can be, before the crisis they had over 1,000 flights a week between Taiwan and mainland China, carrying 153,000 passengers. Taiwan also had over 1,100 flights per week between itself – (audio break) – Taiwanese living in China, many of whom headed home during the lunar new year in January.

But Taiwan has been very successful in managing this outbreak. Only a handful of cases, and that's because they were fully prepared. Had equipment, hospital – health-care systems, hospitals that handled this, tracing, testing. And so the idea that we should blame international trade and supply chains for the number of cases in the United States just doesn't hold up. You can have international trade and complex supply chains and not have a global – not have a massive outbreak, if you're fully prepared. And the U.S. wasn't prepared. And it's still not fully prepared, as Steve and his team have documented.

And so what we're seeing is that this crisis, just to sum up, could have been an opportunity for the U.S. to expand, and restore, and strengthen its leadership, and expand cooperation with other countries in addressing this. And what we're seeing instead is greater U.S.-China conflict, less U.S. leadership, more Chinese influence, and tectonic plates shifting in the international system as a result. And I would say that all adds up to a massive disruption of the international system. I'll stop there.

MR. DIAMOND: Great. I think now can we open it up to questions?

OPERATOR: Certainly.

(Gives queuing instructions.)

MR. DIAMOND: Well, this is Caleb here. While people are queuing, I actually received a question from a reporter ahead of time who couldn't actually make the

call this morning that, you know, while people are queuing up we can – we can discuss.

And basically the question is: We're hearing more talk about a W-shape recovery, both in terms of the possibility for an outbreak in the fall and also in terms of the economic recovery. Maybe, Steve and Scott, you could both talk about, you know, the possibility of, you know, longer-term disruptions in the fall, both in terms of health and economics.

MR. KENNEDY: Steve, do you want to go first?

MR. MORRISON: Caleb, just repeat that for me, please? You broke up a little bit at the beginning of the question.

MR. DIAMOND: Sure, absolutely. Yeah. Yeah, so I received a question from a reporter ahead of time that, you know, we're hearing more talk about a W-shaped recovery, both in terms of the possibility of an outbreak in the fall and also in terms of the economic recovery. And basically, Steve, if you could talk about what an outbreak in the fall would look like, are we prepared for that? What measures do we need to take to be prepared for that?

MR. MORRISON: Thank you. This question cuts to the very heart of the matter in terms of what is it that we face in this pandemic. And we're getting obviously very conflicting messages from the administration over what we should expect. We saw this yesterday during the president's – in the task force briefing. The science side of the equation is coming in saying that there is – we should not be expecting seasonality to a significant degree in the way that the pandemic courses through the world and including in the United States. We may see some easing but not much seasonality. And that we should expect a second wave that would begin in the fall. And that is consistent, obviously, with the pattern we've seen, for instance, in the 1918 Spanish flu.

I think that it's fair to say that we don't have a national consensus as a matter of policy on what lies ahead and how we should prepare ourselves. There is not a national plan in this regard. I think that the leadership which has been vested predominantly in the governors in putting together their strategies haven't looked very far ahead, frankly, beyond this immediate period of social distancing, stay at home, sheltering, and now deliberating on under what circumstances can there be some reopening. We have obviously a significant risk of rebound epidemics – rebound outbreaks if that process of reopening in the months is mishandled. And that we do not have in place the testing and the local capacities for isolating, quarantining, contact tracing that's going to be essential at arresting the outbreaks that will happen.

But the planning for what may happen, we've got different models that have been put forward, both on the viral side of things and the economic

side. But I don't see much planning ahead in terms of policy at either the state or national level. Thank you.

MR. DIAMOND: Scott, do you want to talk about the W-shaped recovery for economics?

MR. KENNEDY: Sure. I'm borrowing some initially just from Steve and Anna Carroll's very nice commentary issued at the beginning of this month – it's still on the CSIS website – that points to one potential scenario being the rollercoaster scenario, in which the virus is – seems to be under control, we go back to work too early, and then – and then there's further outbreaks. And I think that is more likely for the U.S. than it is for China. And of course, you have to have – you have to control this outbreak before you can have growth, and all the data shows from around the world over history that controlling pandemics, those that control it better even if it takes longer, they have better economic-growth trajectories on the – on the far side of coming out of it.

China's probably less likely to have a rollercoaster recovery. Same for Taiwan, Korea, Singapore, Germany, others that have been managing this well. China had a couple new hotspots emerge this week, but as soon as they find them they shut down those cities. And so I expect China's probably going to have a gradual recovery, not a V-shaped one, but I don't expect the type of rollercoaster or W-shaped recovery that was in the question. I do worry that this is exacerbating big economic difficulties in China and leading to a big runup in debt, which has always been China's Achilles' heel for its economy, and that's just going to become more challenging in the years ahead. But I don't expect a rollercoaster in China as a result of this.

MR. DIAMOND: Great. Well, I think we can move on to the next question.

OPERATOR: OK. We have a question from Howard LaFranchi with the Christian Science Monitor. Please go ahead.

Q: Hey, great. Thank you. Thanks for doing this.

I'm curious about, you know, we're hearing, I guess primarily from Republicans in Congress, but calls for reparations from China for its responsibility in the spread of this pandemic. And I'm wondering, is there any precedent for that? How realistic is that? Is that just members of Congress looking to score political points, or you know – just really, you know, how realistic is that?

MR. KENNEDY: This is Scott Kennedy. I can briefly respond to that on the China side.

I would say, you know, you may have seen that the state of Missouri filed a suit in federal court demanding China pay a fine or reparations, whatever you want to call it. I do think that there's – it is totally appropriate for the United States and other countries around the world

and communities to be deeply upset and concerned about the initial development of the virus, Chinese insufficient transparency, and to demand greater information and changes in Chinese policies at the national and local level to limit the likelihood of this occurring again.

On the other hand, I think the chances of efforts like this succeeding are extremely low. In the case of the Missouri lawsuit, they will almost assuredly not be able to overcome issues of sovereign immunity that the Chinese government can use to avoid this case. But nevertheless – and so these specific types of cases and maybe actions by Congress are political. That doesn't – we shouldn't understate the relevance of them, and it does push the discussion somewhere where it needs to be. But in terms of a legal outcome through these, it's extremely unlikely.

MR. MORRISON:

Scott, this is Steve Morrison. I just want to weigh in.

I agree with what Scott just said. We don't have precedents of actions taken legally that have broached the sovereign immunity – that have been able to bridge the sovereign-immunity barrier. What we will see, though, is increased calls for independent reviews. That is built into the international health regulations. There's plenty of precedence there, and that is expected to happen. And all of these issues around China's accountability and transparency will be central to that. Whether or not there's compliance and cooperation is another issue.

The other point I'd make is that it depends on how these charges and these allegations are put forward. If they're put forward with the appearance or the perception that this is a measure of political posturing that is deflecting blame away from the actions taken here in the United States that have failed to contain this outbreak, where we now are rapidly heading towards a million cases, we're exceeding 50,000 deaths, we have unemployment claims almost at 27 million – we are deep in the throes of that crisis.

To have these sorts of cases come forward under these conditions and in the midst of our electoral process raises doubt around them and limits the credibility, although the questions of accountability and transparency are totally legitimate and valid, particularly directing them against the Chinese. But in this highly charged environment, it's going to be difficult to move those forward. There's going to need to be a broader coalition brought behind these concerns. And I think we're beginning to see some of that in the anger being expressed out of Europe and out of Asia towards China.

Q:

Great. Thank you.

OPERATOR:

And there are no other questions from the phone lines. You may continue.

MR. DIAMOND:

Thanks. If there are no more questions, I think we can end the call here. But please, if you'd like to set up a one-on-one interview, reach out to us directly. We'd be happy to set that up. We'll also have a transcript out shortly. It will be posted to our website and also emailed to all of you.

So, again, thanks for calling in and thanks to our experts for joining us today. Thank you.

MR. MORRISON:

Thank you.

(END)