

Parliamentary Web Dialogue

The Economic Security Fallout of the COVID-19 Pandemic

HIGHLIGHTS¹

SUMMARY

To promote inter-parliamentary dialogue on relevant security developments pertaining to the ongoing COVID-19 crisis, the OSCE Parliamentary Assembly (PA) organized its first web-based seminar on “The Economic Security Fallout of the COVID-19 Pandemic”. The web dialogue, moderated by the OSCE PA Secretary General Roberto Montella, aimed at raising awareness about the short and long-term economic and security repercussions of the COVID-19 pandemic. Experts and parliamentarians exchanged views on the socio-economic impact of the health crisis, shared preliminary lessons learned and pondered over the way forward for economic recovery in the region.

Web dialogue participants included parliamentarians and staff from Albania, Andorra, Azerbaijan, Belarus, Belgium, Bulgaria, Canada, Cyprus, Estonia, Finland, France, Georgia, Germany, Hungary, Iceland, Italy, Ireland, Latvia, Liechtenstein, Luxembourg, Netherlands, Montenegro, Poland, Portugal, Serbia, Spain, Sweden, Turkey, Ukraine, the United Kingdom, and the United States. In addition, several OSCE officials and experts attended the event.

Opening the event, **OSCE PA President George Tsereteli (Georgia)** stressed that a global economic problem requires a global economic response. He added that enhanced international co-operation is the only way to effectively address the COVID-19 pandemic and build a safer future for our citizens. In concluding, he urged parliamentarians to make full use of platforms such as the OSCE PA to share best practices and develop common approaches to speed up recovery and prevent future similar crises.

EXPERTS’ KEY POINTS

Prof. Giovanni Tria, former Italian Minister of Economy and Finance

- The COVID-19 pandemic is pushing both advanced and emerging economies into a recession. The worst affected economies are those that are most integrated into the global supply chain or supply intermediate inputs: i.e. commodities, raw materials and oil.

¹ **DISCLAIMER:** The Highlights from the OSCE PA Web Dialogue on the Economic Security Fallout of the COVID-19 Pandemic are not intended to be official conclusions, nor an exhaustive list of all issues raised during the debate, but rather a collection of interesting points kindly pulled together by the International Secretariat for possible future reference. As such, the OSCE Parliamentary Assembly makes no claims nor warranties of any kind, expressed or implied, about their completeness and reliability.

- The pandemic does not destroy physical capital, but it may destroy human and entrepreneurial capital.
- Governments must stimulate productive recovery by financing massive mitigation measures and targeting public investments, especially in healthcare and infrastructure.
- Monetary policy coordination between central banks is key in order to stabilize financial markets, as well as to ensure the liquidity required by governments and markets.
- The effectiveness of healthcare and economic measures requires international coordination and co-operation between countries as well as multilateral organizations.
- OSCE participating States should not exploit the asymmetric impact of the emergency by resorting to aggressive “beggar-thy-neighbour” policies aimed at restructuring transnational production and trade networks to their advantage.
- OSCE participating States should also resist political arguments fuelled by the psychological pressure of the emergency that advocate for national self-sufficiency in the provision of essential goods. Indeed, restructuring the supply chains in ways that make production costlier would show limited awareness of the interconnections between national economies and the global market.
- While international trade has been negatively impacted by the crisis, the globalization process remains the most effective economic development approach at our disposal. Improvements are however needed.

Mr. Jeffrey Schlagenhauf, Deputy Secretary-General of the OECD

- The public health crisis, followed by stringent containment measures, has led to extreme shutdowns, job losses and severe disruption of travel, mobility and financial activities. For example, the pandemic has led to historic drops in oil prices (due to the lack of storage capacity).
- Consequently, OSCE participating States will face serious policy problems, such as rising sovereign debt levels, triggering state interventions which could distort market competition, changes in supply chains and a potential long-term rise in unemployment rates.
- Policy makers will have to make difficult choices which require trade-offs between addressing the public health crisis and limiting its economic damage.
- The importance of getting the response to COVID-19 right cannot be reiterated enough, as governments will be judged on their ability to manage the crisis in an effective, transparent, and accountable manner.
- Given the incredible amount of urgent public spending, it is vital that all public money is spent transparently and in accordance with principles of good governance in order to avoid any waste of critical resources.
- Public trust in democratic institutions has been in decline for many years, thus it is the role of parliamentarians to provide strong oversight and guidance to governments in order for them to regain trust.
- International solidarity is needed to collectively rebuild and recover together, possibly through a new global Marshall Plan, bringing a common purpose to participating States’ recovery efforts.

Prof. Gottfried Haber, Vice Governor of the National Bank of Austria

- The ongoing health crisis and the measures adopted to counter the pandemic (e.g. quarantine, social distancing, and border controls) are generating significant economic and security fallouts.
- While this crisis is expected to be temporary in nature, the mobility, tourism, trade and entertainment sectors will inevitably face longer-term, possibly fatal, repercussions.
- Against this backdrop, Government should focus on saving as many businesses as possible and on preserving employment through targeted fiscal and monetary measures.
- Participating States should subsidize the economy through targeted instruments and provide emergency financing to healthcare systems, while keeping public spending and financial stability in mind. Demand side measures might be less useful/effective at this juncture. Preserving the regulatory supervisory framework is key.
- Public guaranties, equity measures, wage subsidies and tax deferrals are required to support the most affected companies, with shortfalls in capital related to shortfalls in profit.
- Banks should be part of the solution by providing the required liquidity, loans and guarantees to their clients - as opposed to the 2008 Financial Crisis when they were part of the problem.
- It is crucial to ensure liquidity for additional bank lending to private companies, as they are often experiencing severe decreases in income, while sustaining high fixed costs.
- While it is critical to be quick and flexible in developing/implementing these new policies, it is also important to keep in mind that they should serve a longer-term perspective.
- Ultimately, the crisis triggered by COVID-19 overlaps with other important themes, such as the rule of law, conflicts, migration-related challenges, climate protection and health care.

THE DEBATE

Over a dozen OSCE PA members actively engaged during the ensuing debate and exchanged a wide range of views and national experiences on the socio-economic impact of the COVID-19 pandemic and on possible instruments to mitigate the crisis in the region. Against this backdrop, the vital role of national parliaments in ensuring scrutiny of governmental activity, preventing abuses of power and promoting comprehensive and inclusive recovery measures was duly underlined.

Highlights:

- While the COVID-19 pandemic is first and foremost a health crisis, its social and economic repercussions have already started to severely impact the lives of millions of citizens.
- Drastic public health measures adopted to contain the virus bear the potential to disrupt production, trade, and logistic chains at national and international levels, with negative repercussions on unemployment rates across the region.
- The economic impact of the crisis will be particularly profound for smaller businesses, low income workers, undocumented migrants and the underemployed and self-employed. Countries hosting large migrant communities are particularly exposed at this critical juncture.
- Co-operation between countries and within countries is crucial to prevent the recession from becoming a long-term depression.

- Supporting the economy in this pressing moment is therefore essential for safeguarding social security: policy makers need to introduce balanced fiscal, monetary and financial market measures to mitigate the economic and social impact of the crisis².
- Public interventions should target the IT, healthcare, manufacturing, and other vital sectors of the economy, starting from those hit hardest by the lockdown, such as the mobility, tourism and entertainment sectors.
- In this context, supporting the most vulnerable and exposed groups is a priority that requires well-conceived measures. For instance, it is imperative to adequately assist those who are left without any income, as well as those who do not have internet access (i.e. digital divide).
- Public money needs to be spent transparently and in accordance with principles of good governance in order to avoid waste and prevent corruption.
- Parliaments must ensure that recovery measures are adopted taking all stakes into account and implemented in a balanced manner, thereby safeguarding public health and keeping the economy running. It is vital that parliamentarians work together to build recovery in the post-COVID-19 world and avoid future similar crises.
- COVID-19 has highlighted certain fragilities of the neo-liberal globalized world, which provides an opportunity for revisiting certain aspects of our economic system. For instance, OSCE participating States could establish security corridors to overcome sudden supply shortages due to the delocalization of production. Similarly, the expansion of the private sector at the expense of key public services - such as healthcare and emergency response - should be duly considered as against the interests of the end-users.
- Considering the pandemic's extensive reach, as well as globalized economic relations, the need for a well-coordinated international response is clear. For instance, OSCE participating States could create emergency lines to better coordinate during similar crises. In this context, the role of international organizations in providing privileged fora for coordination and sharing of information and lessons learned is instrumental to building a safer and brighter future for all citizens.

² According to OSCE PA International Secretariat research efforts, this has already been the case in 55 out of 57 OSCE participating States, with the adoption of emergency packages to support businesses, labour, vulnerable workers, etc., for an average aggregate value of approx. 7% of their respective GDPs. More info at: <https://www.oscepa.org/documents/international-secretariat/reports-and-publications/4012-covid-19-overview-of-osce-participating-states-responses-economic-support-measures/file>