

How Can We Achieve Economic Growth During & After the Pandemic?

By Masakazu Toyoda

Almost two years have passed since the global threat of Covid-19 emerged. In 2021, optimistic prospects for a V-shaped economic recovery started to be overshadowed, with divergences depending on the country or region. This was due to the spread of variants like Delta. Under these circumstances, we need to work on two issues – one to achieve economic growth during the pandemic, and the other to achieve it after the pandemic has been contained.

On the first issue, I believe there are three points to be noted. The first is that we must raise the vaccination rate of the total population; the second is to reconsolidate the medical system; and the third to complete a secure epidemic prevention system. On the first point, needless to say, Europe and the United States have successfully developed vaccines for Covid-19 and are leading the global vaccination race. By early October 2021, the rate of vaccination was more than 60% on average among G7 countries, and vaccines are expected to reach all who want to be vaccinated by the end of 2021. Hereafter, in parallel, the key issue will be how to raise the vaccination rate quickly among developing and emerging economies. An international consensus on provision of vaccines has been reached at venues like the G7, but there is a lag in putting it into practice. Now, these countries are part of developed nations' supply chains and any delays in providing vaccines for them will cause production of parts and components there to stagnate. This is certainly at this moment a crucial issue for the global economy, as supply will fall short of recovering demand.

On the second point, the key is whether medical facilities can afford to accept patients with Covid-19. Some countries subsidize their facilities accepting Covid patients so that they can secure beds for them, and Japan finally seems to be learning about it. Sharing best practice must be the course to follow.

On the third point of an epidemic prevention system, as this would differ significantly depending on national political systems, nations may not necessarily be able to learn from each other. But even after this pandemic has been contained, there will always be the possibility of new pandemics spreading, and so learning from each system's key elements and objectively assessing them will still be valuable. In Europe and the US, in spite of their liberal political systems, strong restrictions on people's daily activities have been imposed by lockdowns. In Japan, in a similar liberal system, even under a "State of Emergency" it is ultimately up to each individual how to respond to the government's recommended restrictions on daily activities. China imposed extremely strong restrictions such as complete lockdowns of districts where only one single person was infected. We must note the merits and demerits of each policy.

The next issue is how we can create a favorable business environment for economic growth after the pandemic. It is often pointed out that a "green recovery" and a digital transformation-led

recovery will be key to economic growth in the post-pandemic era. I would like to add another two issues, namely a business restructuring recovery and a rules-oriented recovery.

Green recovery means implementing measures for decarbonization to achieve economic growth – for example, introducing renewable energy sources, strengthening the safety of nuclear power stations, and using carbon dioxide capture and storage (CCS) techniques or zero-carbon hydrogen and ammonia by electrolysis of water in using surplus power from renewable energy sources. More than 125 nations and regions are now aiming to realize a decarbonized society by around 2050. So the implication of these efforts will be significant in terms of raising new industries as well. I would call these technologies leading to growth a clean recovery, and with this it is clear that technology to decarbonize fossil fuels must be included.

People are expecting digital transformation as another source of economic growth. The pandemic inhibited face-to-face encounters among people but simultaneously accelerated the progress of telework and digitalization of work in the public as well as private sector. A digital economy will hereafter develop further and produce huge consumption or investment by itself.

As for a business restructuring recovery, governments must support the efforts of private companies, whether large or small, suffering from decreasing demand due to the pandemic in order to restructure business and move towards new promising areas. Many nations are now working on countermeasures against the decline in consumption with large-scale budgets. If their policy support is successful in converting business sectors losing competitiveness into ones with a large potential in the future, that could trigger new economic development.

My final point is to achieve a rules-oriented recovery in order to avoid protectionism in the post-pandemic era as the global economy starts to expand again. The abusive use of anti-dumping duties and export subsidies giving a nation's products special preference could have a negative effect on the world economy, so if necessary we will need to make new rules on trade and investment. I hope the new secretary-general of the WTO, Ngozi Okonjo-Iweala, will lead the organization in significantly contributing to new rule-making.

This pandemic has been referred to as a once-in-a-century disaster. It is up to us whether this disaster can be transformed into great progress. I hope we can turn this misfortune into fortune. **JS**

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