

Economic and Social Council

Topic 1: The coronavirus crisis: measures to counter recession and economic stagnation

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1. Key Terms

Coronaviruses: a group of related RNA viruses that in particular in humans and birds cause respiratory tract infections that can range from mild to lethal.

Supply chain: the activities required by an organisation to deliver goods or services to the consumer.

Gross domestic product (GDP): a measure of the size and health of a country's economy over a period of time (usually one quarter or one year).

International Monetary Fund (IMF): an international financial institution working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world while periodically depending on the World Bank for its resources.



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Financial Times Stock Exchange (FTSE): an independent organization which specializes in creating index offerings for the global financial markets.

Economic downturn: a general slowdown in economic activity over a sustained period of time.

Centre for Economics and Business Research (CEBR): an organization in the UK that studies business, economics, and politics.

2. Introduction

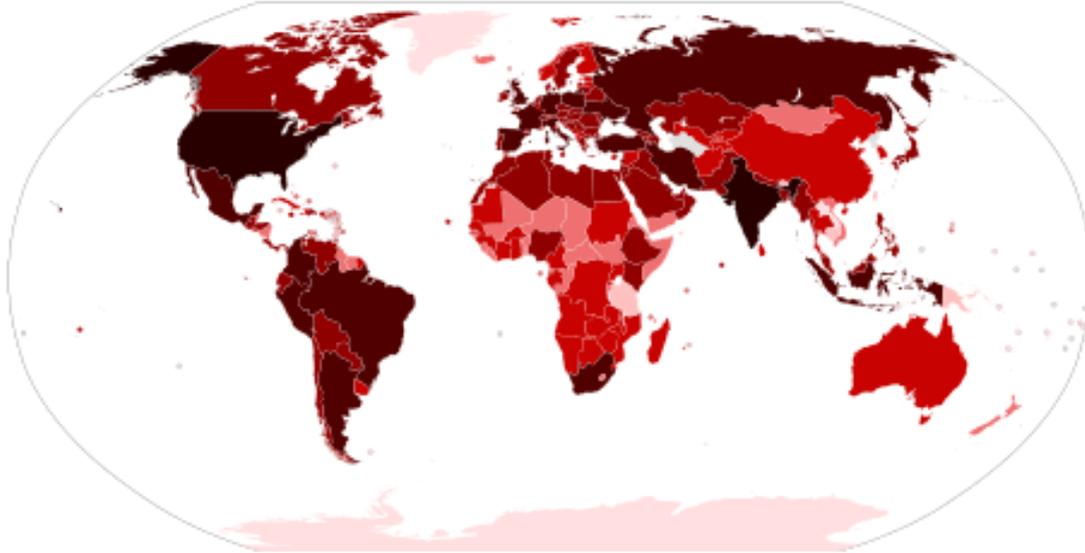
COVID-19 (**CO**rona**VI**rus **D**isease of **2019**, acronym given by the **World Health Organization (WHO)** on February 11th, 2020) is a contagious disease caused by severe acute respiratory syndrome coronavirus 2 virus strain and a severe public health emergency for citizens, societies and economies.

The symptoms of COVID-19 are variable, but often include fever, cough, fatigue, breathing difficulties and loss of smell and taste. Symptoms begin one to fourteen days after exposure to the virus and spread mainly when an infected person is in close contact with another person and today the coronavirus pandemic has reached almost every country in the world.

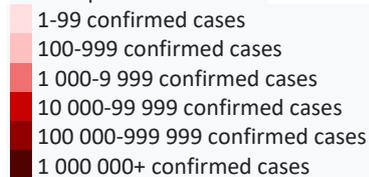
Its spread has left national economies and businesses counting the costs, as governments are struggling with new lockdown measures in order to face the virus.

Despite the development of new vaccines thanks to the Scientific Research, providing acquired immunity against the virus, the impacts to humanity caused by COVID-19 are serious, as are the economic and social ones that are having repercussions on a global level.

A response is requested in order to slow down the contagion, help those in need and for progress in research and development: COVID-19 is putting health care systems under severe strain, aside from subduing society.



Global spread of the virus:



*Map of the COVID-19 outbreak
as of 26 January 2021*

3. Background Information

The virus is thought to be natural and has an animal origin, through spillover infection. There are several theories about where the first case (the so-called patient zero) originated, but it is known that the first known human infections were in Wuhan, Hubei, China.

During the early stages of the outbreak (December 2019), the number of cases doubled approximately every seven and a half days: the spread of infection was almost entirely driven by human-to-human transmission.

Not neglecting the terrible deaths attributed to COVID-19, there are other dramatic effects caused by the pandemic that is still ongoing: unemployment, rising inequalities and crises in many sectors.



Global financial markets are having a hard time due to the COVID-19. In late February, global equity markets dropped heavily amid a strong call to safety. At the same time, prices of safe haven assets hiked on increased demand.

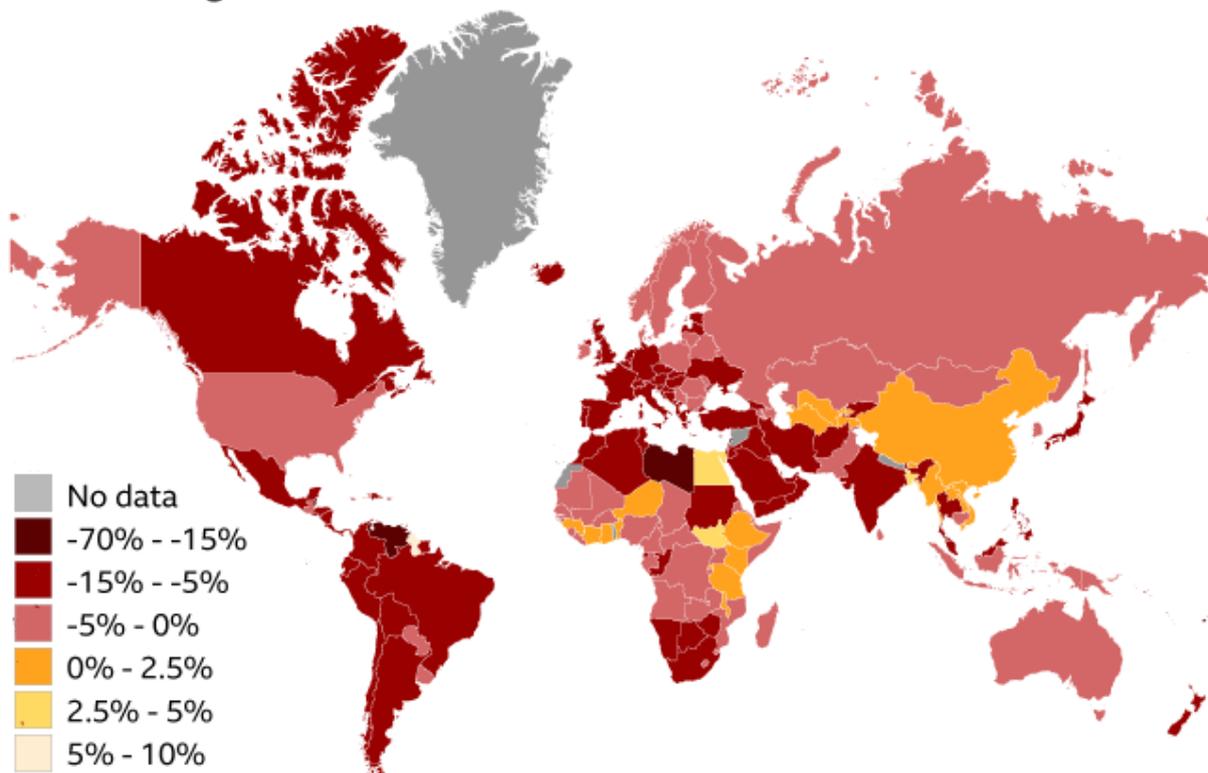
This pandemic is affecting the economy through different ways:

- the results from China's initial contraction in the first quarter of 2020;
- the supplies to the global economy resulting from the disruption of **supply chains** absences from the workplace;
- the demands to the global economy caused by lower consumer demand and the negative impact of uncertainty on investment plans;

The **World Bank** estimates that the COVID-19 pandemic has caused one of the worst economic recessions, bringing with it a dramatic rise in poverty levels: the world economy will suffer a worrying decline in **Gross Domestic Product (GDP)** of 90% at the end of this year.

Majority of countries in recession

Real GDP growth



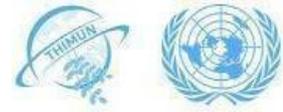
Source: International Monetary Fund





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This has led the governments of the main countries, as well as international institutions, to approve huge measures to support the income of families and businesses, which however have not prevented from having devastating consequences in terms of unemployment and market contractions.

According to the **International Monetary Fund (IMF)**, nearly 90 million people could fall below the extreme deprivation threshold this year, erasing all the progress made in previous years to reduce inequality and poverty.

The IMF also certifies that in the first phase of the pandemic there was a suspension of the activities of 45% and more than 70% of the companies, recording a significant reduction in their turnover compared to the previous year. Particularly affected by the current crisis are especially the health sector, tourism, transport, in particular the airline industry.

The economic impact and mass unemployment caused by the COVID-19 pandemic has raised fears of a crisis and according to preliminary estimates by the International Labor Organization (ILO), due to COVID-19 the unemployment could increase worldwide.

4. Major Countries involved

According to the **Financial Times Stock Exchange (FTSE)**, the collapse of the world economy has a greater intensity than that which followed the financial crisis of 2008.

Clearly, many factors have affected the COVID-19 death rate and the shock to the economy beyond the policy decisions made by each government about how to control the spread of the virus.

But among countries with available GDP data, we do not see any trade-off between protecting people's health and protecting the economy: it's rather the opposite.

In general, it is true to say that some countries have been affected more than others: we see that countries which suffered the most severe economic downturns – for example **Peru, Spain, the UK, Tunisia, France, Mexico, Italy** – are generally among the countries with the highest COVID-19 death rate.



On the contrary, countries where the economic impact has been modest – like **Norway**, **Finland**, **Taiwan**, **South Korea**, **Lithuania** – have also managed to keep the death rate low.

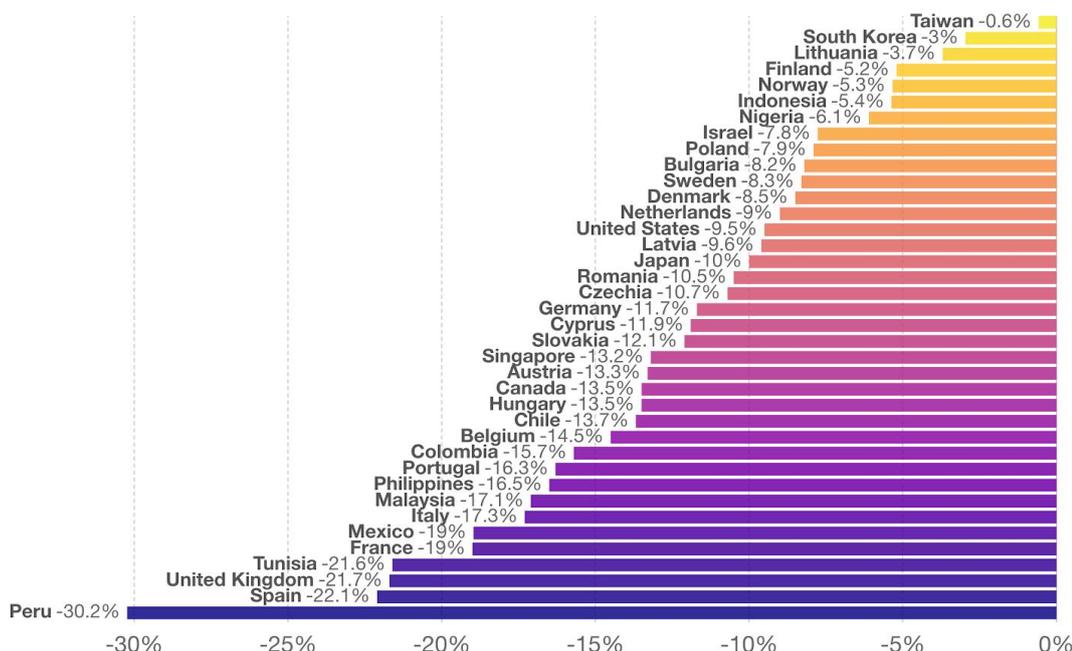
In **Russia** only the agriculture sector grew in Q2 of 2020, while commodity, retail, transport and services sectors were hardest hit. According to the central bank, the economy is likely to shrink for the whole of 2020, before starting to grow again in 2021.

The **United States**, following the first economic cycle peak in February 2020, during the second quarter of 2020 suffered its largest drop on record, with GDP falling.

On the other side, by late 2020, **China's** economic recovery was accelerating amid increasing demand for Chinese manufactured goods. According to a study conducted by the UK-based **Centre for Economics and Business Research (CEBR)**, China's management of the pandemic will allow the Chinese economy to become the world's largest economy by GDP in 2028, five years sooner than previously expected.

Economic decline in the second quarter of 2020

The percentage decline of GDP relative to the same quarter in 2019. It is adjusted for inflation.



Source: Eurostat, OECD and individual national statistics agencies

Note: Data for China is not shown given the earlier timing of its economic downturn. The country saw positive growth of 3.2% in Q2 preceded by a fall of 6.8% in Q1

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5. Major Parties involved

- United Nations
- World Health Organization
- International Labour Organization
- International Monetary Fund (IMF)
- The World Bank
- Financial Times Stock Exchange (FTSE)
- Centre for Economics and Business Research (CEBR)
- International Medical Corps

6. UN involvement

As the UN Secretary-General **António Guterres** stated on the 31st March, 2020, the world is facing an unprecedented test and economies are in a nose-dive.

Reassessing the prospect for growth for 2020 and 2021, the International Monetary Fund has declared that the world is now in a recession as bad as or worse than in 2008.

Under the guide of the World Health Organization, the necessary response must have such a magnitude to match the scale of the crisis.

The **UN** is now trying to find an immediate socio-economic response to COVID-19, since the crisis is plunging the world economy into a recession with historical levels of unemployment and deprivation. Economic recovery is about protecting jobs and workers, ensuring decent work and protecting productive assets during the crisis.

The UN's response in the field of economic recovery will focus on protecting and improving the productive sectors, protecting jobs and promoting decent work.

7. Useful links

<https://www.worldbank.org/en/who-we-are/news/coronavirus-covid19>

<https://www.business.qld.gov.au/running-business/protecting-business/risk-management/surviving-downturn#:~:text=An%20economic%20downturn%20is%20a,a%20sustained%20period%20>



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[of%20time.&text=The%20main%20features%20of%20an,consumer%20confidence%20and%20declining%20investment.](#)

<https://www.esm.europa.eu/content/europe-response-corona-crisis>

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<https://www.bbc.com/news/business-51706225#:~:text=The%20IMF%20estimates%20that%20the,grow%20in%202020%20was%20China.>

<https://ourworldindata.org/covid-health-economy#:~:text=Contrary%20to%20the%20idea%20of,highest%20COVID%2D19%20death%20rate.>

https://en.wikipedia.org/wiki/Coronavirus_disease_2019

<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52020DC0112>

<https://www.un.org/en/un-coronavirus-communications-team/launch-report-socio-economic-impacts-covid-19>

<http://www.un.org/en/home/epub/Responding%20to%20the%20socio-economic%20impacts%20of%20COVID-19,%20March%202020.epub>