**Forum:** Economic and Social Council

**Issue:** Measures to reinvigorate the global economy after COVID-19

**Student Officer:** Jaeha Kim

**Position:** President

Introduction

The COVID-19 pandemic, also known as the coronavirus pandemic, has created severe impacts across the world. When the virus first appeared in Wuhan, China, in 2019, the virus was relatively insignificant and only affected a small part of China. However, the virus spread rapidly in the following year, transforming the outbreak into a global issue. With cases rising across the world, countries were forced to enforce various quarantine measures, from having workers work from home to prohibiting certain nationals from entering their countries. While the quarantine measures did contribute to disrupting the spread of COVID-19, the number of cases, caused significant social and economic problems to be mentioned.

As a result of these quarantine measures, many workers had to work at their homes. While this was feasible for higher social classes such as people with office jobs, many in the lower social class suffered, as most of their jobs were much more hands-on compared to others. This is a more serious issue in less economically developed countries (LEDCs) where many workers have blue-collar jobs, such as construction or machine-based jobs, meaning they cannot work at home and therefore without any income. In addition to the rise in unemployment of blue-collar workers, industries that heavily rely on traveling took a major hit as countries blocked entries of foreigners as quarantine measures, causing even more unemployment and bankruptcy. In the market, these workers with fewer wages are consumers with lower revenue. Due to their lower revenue, consumers are less willing and able to purchase products, which led to the decline of profit of producers. As a result of this economic stagnation, many businesses have gone bankrupt as they are unable to employ any workers. Hence the world has been experiencing global-wide economic recession.

Despite the severe social and economic effects of the COVID-19 pandemic, the global economy still has a long way to go to fully recover. How the post-Covid global economy will look depend on what actions we take now.

Definition of Key Terms

COVID-19 Pandemic

The COVID-19 pandemic is an ongoing global pandemic of coronavirus disease 2019. The virus spread rapidly across the world after attempts to contain failed. The disease is one of the deadliest in history, as it has caused more than 670 million cases and 6.7 million deaths as of January 2023.

**Gross Domestic Product (GDP)**

The gross domestic product, or GDP, is a measurement of a country's total economic output during a certain amount of time. It is calculated by measuring the monetary worth of a country’s goods and services over a certain period, usually one year.

**GDP per Capita**

GDP per capita, is a measurement of a GDP that accounts for the number of people in the country. It divides a country's GDP by its total population. Hence GDP per capita indicates the mean amount of profit that an individual in a country makes in a certain amount of time.

**Gross Domestic Product (GDP)**

The COVID-19 pandemic, also known as the coronavirus pandemic, is an ongoing global pandemic of coronavirus disease 2019. The virus spread rapidly across the world after attempts to contain failed. As of November 2022, the pandemic had caused more than 600 million cases and 6.6 million deaths, making it one of the deadliest disease outbreaks in history.

**Economic shock**

Any change to fundamental macroeconomic variables or relationships that have a substantial effect on macroeconomic outcomes. These include unemployment, consumption, and inflation. Shocks are often unpredictable and are usually the result of events thought to be beyond the scope of normal economic transactions.

**Economic recession**

A significant decline in general economic activity in a designated region that last over a long period. It is a common example of economic decline as it leads to a decline in GDP and a rise in unemployment.

Background

Global recession

The massive shock of the coronavirus pandemic and lockdown measures to contain it have plunged the global economy into a severe contraction. During the lockdown period, the global economy was expected to fall by 5.4 percent, with the largest fraction of economies experiencing declines in per capita output since 1870. Economic activity among advanced economies was anticipated to shrink by 7% in 2020 as domestic demand and supply, trade, and finance have been severely disrupted, mainly due to compulsory quarantine. According to the UN during the Geneva video conference, workers working in the four sectors that have experienced the most drastic effects: food and accommodation (144 million workers), retail and wholesale (482 million); business services and administration (157 million); and manufacturing (463 million). Together, they add up to 37.5 percent of global employment. Most of these jobs which developing countries rely on. The blow hit hardest in countries where the pandemic has been the most severe and where there is heavy reliance on global trade, tourism, commodity exports, and external financing. This was most evident in LEDCS, where tourism is the main export, particularly Small Island Developing States (SIDS). Travel restrictions and advisories by authorities in foreign tourist markets, as well as the income loss of consumers in these markets, have reduced demand, sometimes almost completely. While the magnitude of this disruption will vary from region to region, all EMDEs have vulnerabilities that are magnified by external shocks. Moreover, interruptions in schooling and primary healthcare access are likely to have lasting impacts on human capital development.

A major consequence of the pandemic-induced economic recession is an increase in global unemployment. The Organisation for Economic Co-operation and Development, an intergovernmental entity, announced that in some countries, the early effects of Covid-19 on labor markets were ten times larger than that observed in the first months of the 2008 global financial crisis. According to various sources, unemployment rose to its highest rate since the Great Depression in many regions around the world. Over just one month, from March to April 2020 unemployment rate in the United States increased from 4.4% to over 14.7% and in Australia, the effective rate of unemployment increased from 5.4 to 11.7% (Australian Bureau of Statistics, 2020.

Financial risks

The outbreak of COVID-19 has increased global financial risks, adversely affecting the global financial markets. COVID-19 negatively affected the stock market in the form of uncertainty and a reduction in stock returns worldwide, reducing capital flows as a result. This reduction is due to the stock market uncertainty, which eventually created obstacles in investment, project funding, and liquidity availability in the global financial system. Empirical evidence suggests that the pandemic negatively affected stock market returns and increased stock return volatility. The stronger role of financial contagion in generating stock return volatility affirmed that the decline in the stock market during the pandemic resulted from investors’ delay in investment decisions. Furthermore, the recovery rate of the stock market varies across different countries. For instance, the American stock market recovered within two months and reached the pre-crisis level at the end of May. However, stock markets in countries like Spain have yet to recover. These observations indicate that the COVID-19 pandemic adversely affected stock market performance.

Oil Price Surges

The reduction in labor availability, travel restrictions, and disruptions in transport and business, directly and indirectly, resulted in supply shocks. The negative demand shock is caused by the aforementioned economic difficult ies, and the disruption of global value chains. These negative shocks on the oil are considered to reduce global consumption/demand and investment. Rise in oil prices not only increase unemployment in related industries but also causes the global trade network to become much more unstable.

Impacts on the Tourism Sector

During the pandemic period, many different working sectors have been affected by the coronavirus, however, none have been more affected than the Tourism sector. Tourism is one of the world’s major economic sectors. It is the third-largest export category after fuels and chemicals and in 2019 accounted for 7% of global trade. For some countries, it can represent over 20% of their GDP, and, overall, it is the third largest export sector of the global economy, impacting economies, livelihoods, public services, and opportunities on all continents. According to a study in 2020, tourism supports one in 10 jobs and provides livelihoods for millions more in both developing and developed economies, especially in some SIDS, tourism has accounted for as much as 80% of its exports, and it also represents important shares of national economies in both developed and developing countries.

The tourism sector is heavily relied on by these SIDS and many countries making them the most important and susceptible to the economic shock. As early as 4 months into the pandemic, many countries suffered from the restrictions of social distancing, as diverse ways of travel are restricted, the number of tourists started to decrease. As a result, all parts of the Tourism sector's vast value-chain have been affected. Export revenues from tourism were predicted and have fallen by $910 billion to $1.2 trillion in 2020 and reduced the global GDP by 1.5% to 2.8% These effects can be seen as early as 4 months into the pandemic, where economic powerhouses like America lost as much as to 910 billion to 1.3 trillion USD.

As many as 100 million direct tourism jobs are at risk, in addition to sectors associated with tourism such as labor-intensive accommodation and food services industries that employ 144 million workers worldwide. Small businesses which accommodate 80% of global tourism are particularly vulnerable. While it has a massive impact on all workers, women, who make up 54% of the tourism workforce, youth, and workers in the informal economy are among the most at-risk. No nation will be unaffected. Destinations most reliant on tourism for jobs and economic growth are likely to be hit hardest: SIDS, Least Developed Countries (LDCs), and African countries. In Africa, in 2019, the tourism sector accounted for 10% of all exports.

Major Parties Involved

United States of America

As an economic superpower, the United States have greatly contributed to the global economic recovery post Covid. The United States itself has shown one of the fastest rates of economic recovery after COVID. It has already donated almost 1.1 billion doses of vaccines, and has pledged to send out 400 million masks soon. Many Non-governmental orgnizations based in the United States also act as fundraisers that donate their fund to fight against COVID.

People’s Republic of China

China, being the country where COVID-19 first started, was one of the countries that were affected most by the coronavirus. China was marking high rates of economic and domestic growth prior to the pandemic. However, its zero-covid policy that restricted movement and economic activity has brought down its development rate to one of the worst in its history. However, China’s most recent quarterly and monthly data are exceeding its projected growth as the country has almost completely abolished its zero-covid policy. As its economy recovers, China will enlarge its voice in the global environment. China has also been contributing to the global struggle against covid. It has provided almost 1.8 billion vaccine doses to the international community, and is willing to provide more in order to increase its influence in LEDCs.

Previous Attempts to Resolve the Issue

The global economy has already reached its pre-covid state as of January 2023, thanks to many attempts to resolve the economic crisis. Compared to past economic crises, such as the Great Recession of 2008, the pandemic has caused a bigger shock but has taken less time to recover.

This is mostly due to the immediate and enormous legislative responses from different countries. Some of the measures that different governments have taken include increasing support private firms. Governments directly inject capital by providing subsidies, loans, and investments. Reduction of tax on businesses and increase of government spending on public goods have also accelerated the recovery in the private sector.

On a national scale, many countries have signed to new trade agreements. The Regional Comprehensive Economic Partnership (RCEP) signed in November 15, 2020, and was made effective in January 2022, is one example. The RCEP allows for free trade among its signatories, including China, Republic of Korea, Australia, Japan, and ASEAN countries. FTAs allow for more aggressive exports, leading to higher revenue from trades.

The United States Congress, for example, passed countless laws, including the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), and the American Rescue Plan Act. These fiscal supports from the government are continuing to boost economic activity and accelerate the country’s economic recovery.

Possible Solutions

* Global action to encourage trade: Further measure can be taken to implement different policies such as Monetary policies that could play a crucial role in mitigating the effects of COVID-19. The economic recession can reverse by encouraging global trade as the global market becomes more active.
* Financial aid to LEDCs: Financially aiding LEDCs most affected by the pandemic will help them reduce the effects of the pandemic faster and therefore recover their employment rates. However, it is important to note that the adoption of said policies may differ across economies in terms of their economic condition during the ongoing pandemic. Delegates should keep this in mind when drafting their own resolutions so that they correctly represent their country’s economic status.
* Ending the pandemic: One of the most effective short-term solutions would involve ending the pandemic, as the world economy would gradually recover to its pre-pandemic state without the pandemic. Accelerating the distribution of vaccines in places where Coronavirus is most deadly, such as LEDCS, would help the recovery in the workspace.
* Global action to create more inclusive and stronger economies: the economic shock caused by the pandemic has revealed that the international supply chains are extremely fragile. It is hence important to reshape such chains in order to minimize the impacts of future shockwaves and protect global trade. All member states must communicate and reassess the situation. To do so, existing platforms of communication must be strengthened and new ones should be constructed if deemed necessary.
* Embrace digitalization: Trust and transparency are vital to reinvigorate global supply chains. As digital technologies and platforms allow for sharing of real-time data, such as freight visibility, businesses are embracing the new opportunities that these technologies bring. Aggressive implementations of such technologies can allow global trade to become more transparent and trustworthy.

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