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**“Combating Polarization in Times of Global Crisis”**

## **Economics Committee**

*Reviving local economies in the aftermath of the COVID-19 Economic Recession*

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RESEARCH  
REPORT



**Forum:** Economics Committee (GA2)

**Issue:** Reviving local economies in the aftermath of the COVID-19 Economic Recession

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## Introduction

Coronavirus (COVID-19) is a new infectious disease that was discovered in December 2019. With the spread of the virus and countries imposing new lockdowns and restrictions every week, global and local economies have collapsed worldwide. The global economy will contract by 5.2 percent this year, the World Bank says in its June 2020 Global Economic. In nations where the pandemic has been the most serious and where there is a strong dependency on foreign trade, tourism, commodity exports, the blow is hitting hardest. With local economies collapsing millions of people are unemployed and the recession showed its effects. The local economy's reliance on sectors that have gone into hibernation during lockdown. Many of these may be the least able to rebound once lockdown is lifted. It is our utmost target to revive these local economies.

## Definition of Key Terms

**Economy:** The economy is a large set of interrelated production and consumption activities. The global economy applies to humanity's economic structure or structures overall.

**Local Economy:** Local economy is the economy of the small urban areas in counties and it creates job opportunities. For example, within the city, a traditional local economy will have residents buying their meat from the local butcher, who in turn buys his meat from the local slaughterhouse. A circular economy that benefits people, local companies and the environment prevails.

**National Income:** National income, is the full output of all goods and services produced in one year. National revenue means the value of the goods and services generated during a financial year by a nation. Thus, for a span of one year, it is the net product of all economic activities of any country and is valued in terms of money.

**Economic Recession:** This is a term to show a significant decrease in economic activity and a rise in unemployment. A downturn or a major reduction of economic activity is a recession. Generally, a large decline in spending leads to a recession. Such a slowdown in economic activity can last for a few quarters, thus completely hindering an economy's growth.

## General Overview

Coronavirus disease 2019 (COVID-19) is a disease that targets the lungs and several organs. The first case was reported in December 2019. Since then, it has spread globally, resulting in an ongoing

pandemic. COVID-19 is a severe global economic crisis that has triggered a recession in some countries and a downturn in others. During the 2020 stock market crash, which began in late February and lasted through March, the first big sign of a recession was the fall of stocks. But the stock market downturn was short-lived, and by the northern autumn of 2020, many market indexes worldwide have recovered or set new records. Each advanced economy had sunk into recession or depression by September 2020, while all emerging economies were in recession. World Bank modeling shows that a complete recovery in certain regions would not be reached until 2025 or beyond. It has caused significant consequences for economies across the globe, following a global economic downturn in 2019 that saw financial markets and consumer activity stagnate worldwide.

Although considered necessary to minimize the risk of COVID-19 spreading, the containment measures placed unprecedented pressure on local labor markets and economies. Unemployment is already skyrocketing in the short term, and the Organisation for Economic Co-operation and Development (OECD) estimates that lockdowns could result in a direct initial reduction of 20-25 percent of GDP during the containment period in a number of OECD countries. It is difficult to prevent a recession, which means more knock-on impact on jobs outside the industries directly affected.

Jobs impacts are now above initial expectations and are on track to overshadow those of the financial crisis of 2008. Some places are more vulnerable to these threats within countries than others are. New figures indicate that, as a result of containment steps, one out of five EU regions may have at least 30 percent of their employment at risk in the short term. Experiences with recent recessions and other shocks indicate that the most affected local economies will not be able to bounce back quickly. For years to come, local labor markets will suffer, exacerbating regional inequalities in unemployment, economic inactivity and the quality of Jobs.

The COVID-19 pandemic poses a threat to public health, food systems and the world of work. The economic and social effects COVID-19 caused are devastating, tens of millions of people are near poverty, whereas by the end of the year the number of undernourished people, currently estimated at almost 690 million, could grow by as much as 132 million. An existential challenge faces millions of companies. Almost half of the world's 3.3 billion workers are in danger of losing their livelihoods. Jobs in the informal sector are especially vulnerable because the majority lack access to quality health care and social services and have lost access to productive assets. Many are unable to feed themselves and their families without the ability to gain an income during lockdowns.

## **Major Parties Involved and Their Views**

**World Health Organization (WHO):** The World Health Organization is a United Nations Specialized Agency in charge of international public health. In the COVID-19 pandemic WHO's importance has increased drastically. As an agency connected to the UN the world is listening and taking actions according to the WHO's sayings.

**World Bank:** The World Bank is an international financial institution which provides loans and grants for the pursuit of capital projects to the governments of low- and middle-income countries. In order to

help developing countries combat the health, social and economic impacts of the pandemic, the World Bank Group is taking rapid, broad, early action.

**Organisation for Economic Co-operation and Development (OECD):** The Organisation for Economic Co-operation and Development (OECD) is an intergovernmental economic organization established in 1961 with the aim of stimulating economic progress and world trade. The OECD’s role in the pandemic has also increased radically, The OECD compiles data, analyzes and recommends on a variety of topics to address emerging health, economic and societal crisis, to facilitate coordination and to contribute to the global action needed to address this enormous collective challenge.

## Timeline of Events

<b>December 2019</b>	<i>First COVID-19 case was reported</i>
<b>January 30 2020</b>	WHO declares COVID-19 a Public Health Emergency of International Concern.
<b>March 11 2020</b>	In declaring COVID-19 a pandemic, Tedros Adhanom Ghebreyesus, director general of WHO, said at a briefing in Geneva the agency is “deeply concerned by the alarming levels of spread and severity” of the outbreak.”
<b>March-April 2020</b>	During the 2020 stock market crash, which began in late February and lasted through March, the first big sign of a recession was the fall of stocks.
<b>April 2 2020</b>	The United Nations General Assembly passed resolution A/RES/74/270: Global solidarity to fight the coronavirus disease 2019 (COVID-19).
<b>December 27 2020</b>	The United States passed a new COVID-19 relief package. This relief package provides the American people with vital assistance and will boost their economic recovery further.

## Treaties and Events

The long-term budget of the EU, along with NextGenerationEU, the temporary recovery-boosting tool, would be the biggest stimulus package ever funded by the EU budget. EUR 1.8 trillion in total would help to restore a post-COVID-19 Europe. It will be a Europe which is greener, more digital and more robust.

On 21 July 2020, EU leaders decided on an EU Next Generation 750 billion recovery effort to help the EU tackle the crisis triggered by the pandemic. The recovery plan is now undergoing legislative measures to be ready in 2021.

China's top executive body, the State Council, stated that on 23 December 2020, small and micro-sized enterprises can defer loan repayments past the first quarter of next year as needed. The State Council, China's top executive body, announced that on 23 December 2020, small and micro-sized enterprises would be able to postpone repayments of loans until the first quarter of next year as required. According to a government statement, banks lending to these small businesses with government assistance for 40 percent of such loans can now sustain the support as necessary until the end of this year. According to Liu Xiangdong, deputy director of the economic research department at the Beijing-based China Center for International Economic Exchanges, these smallest businesses have been disproportionately affected by the coronavirus pandemic.

The United Nations General Assembly passed resolution A/RES/74/270: Global solidarity to fight the coronavirus disease 2019 (COVID-19).



*A woman closing her shop in Australia due to the impacts of the Covid-19 economic recession*

## **Evaluation of Previous Attempts to Resolve the Issue**

A loan program that emerged from the Coronavirus Help, Relief, and Economic Security (CARES) Act is the Paycheck Protection Program. The Paycheck Insurance Program is used in the United States. This was initially a \$350-billion initiative designed to offer eight weeks of cash-flow aid to American small businesses through 100 percent federally guaranteed loans. The Paycheck Insurance Program provides small companies with the tools they need to manage their payroll, recruit laid-off workers, and cover the applicable overhead. This relief package isn't just enough to revive a whole country's local economy. This is as mentioned a short relief package where it will allow local businesses to breath and pay some of their debts.

In addition, Member States have so far dedicated themselves to offering liquidity support for disruptive industries and liquidity shortage businesses, consisting of public guarantee schemes and deferred tax payments. Deferring tax payments is just a way to breathe, it is not a solution in the long term so this didn't resolve the issue it only made it less concerning for only a short period of time. These are not long term and sustainable solutions.

## **Possible Solutions**

Instead of taking things in an uncoordinated way, governments should advance cooperative policies. They should fund local and global economies with an immediate buffer to cushion the negative effect and speed up the recovery. This entails immediate expenditure companies: fees and delays in the payment of taxes, temporary reductions or deferrals of VAT, improved access to working capital via lines of credit or state guarantees, special support packages for small and medium-sized enterprises, especially those in the field of services and tourism.

Bold actions to help the economy have already been launched by central banks, but financial regulation and supervision is another field where collaboration could yield better outcomes. The economic dislocation triggered by the COVID-19 crisis affects the operation of the financial markets, the profits and balance sheets of the banks. A unified approach will produce far more positive results than disjointed and contradictory responses to monitoring, diagnosing emerging strains and taking regulatory action.

To help people affected by the COVID-19 pandemic countries should create more relief packages to help the citizens of their country to continue their livelihood. Also NGO's are critical in the COVID-19 crisis. Donations made to NGOs related to COVID-19 can be donated to families severely affected by the pandemic.

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