




RS Global
Journals

Scholarly Publisher
RS Global Sp. z O.O.
ISNI: 0000 0004 8495 2390

Dolna 17, Warsaw, Poland 00-773
Tel: +48 226 0 227 03
Email: editorial_office@rsglobal.pl

JOURNAL	International Journal of Innovative Technologies in Economy
p-ISSN	2412-8368
e-ISSN	2414-1305
PUBLISHER	RS Global Sp. z O.O., Poland

ARTICLE TITLE	WORLD ECONOMIC PROBLEMS DURING THE COVID PANDEMIC
AUTHOR(S)	Iago Beridze
ARTICLE INFO	Iago Beridze. (2021) World Economic Problems During the Covid Pandemic. International Journal of Innovative Technologies in Economy. 4(36). doi: 10.31435/rsglobal_ijite/30122021/7709
DOI	https://doi.org/10.31435/rsglobal_ijite/30122021/7709
RECEIVED	18 September 2021
ACCEPTED	12 November 2021
PUBLISHED	17 November 2021

LICENSE	 This work is licensed under a Creative Commons Attribution 4.0 International License .
----------------	--

© The author(s) 2021. This publication is an open access article.

WORLD ECONOMIC PROBLEMS DURING THE COVID PANDEMIC

Iago Beridze, PhD student, Faculty of Business Technology, Georgian Technical University, officer of the Western Division of the Tax Monitoring Department-Revenue Service of the Ministry of Finance of Georgia, Georgia

DOI: https://doi.org/10.31435/rsglobal_ijite/30122021/7709

ARTICLE INFO

Received 18 September 2021
Accepted 12 November 2021
Published 17 November 2021

KEYWORDS

global economy, economic growth, exports, imports, crisis.

ABSTRACT

The article discusses the main economic events during the Covid pandemic that caused significant damage to various countries, it also focuses on the main findings, parameters and numeric indicators observed during the current global economic problems, as well as on the action plans with which the countries began to tackle economic recovery, the article also implies principal challenges and recommendations, which will be important for effective planning and management of economic processes.

Citation: Iago Beridze. (2021) World Economic Problems During the Covid Pandemic. *International Journal of Innovative Technologies in Economy*. 4(36). doi: 10.31435/rsglobal_ijite/30122021/7709

Copyright: © 2021 **Iago Beridze**. This is an open-access article distributed under the terms of the **Creative Commons Attribution License (CC BY)**. The use, distribution or reproduction in other forums is permitted, provided the original author(s) or licensor are credited and that the original publication in this journal is cited, in accordance with accepted academic practice. No use, distribution or reproduction is permitted which does not comply with these terms.

2021 is a year of challenges and new difficulties created by the problems caused due to the pandemic, despite the successes and innovative projects of recent years, yet it was not possible to face the pandemic properly prepared, if we look back at the previous century, we can clearly see that there were several global events that could be equated with economic problems caused by the pandemic, such as:

- The Great Depression of the 1930s;
- The aftermath of World War II;
- The global economic crisis in 2009-2010.

It is essential that each crisis or event has its effects and should be properly assessed, although some differences and unity are observed in mentioned events and therefore, creating a forecast or plan to better meet any crisis in the future and set the pace for less economic stagnation based on proper analysis is possible.

Being aware of current changes and timely implementation of strategic analysis of the environment of how they affect internal and external processes is critically important for business.

It is also necessary to define the fact that the year caused by the pandemic showed the countries of the world a new direction with the means of which it will be possible to develop cooperation and move to a new stage of world relations, in online services, trade, services or in other fields as well. In particular, the crisis can even be considered as an incentive to start domestic production and reinforce exports, but it is also noteworthy that in developing countries, where there are more signs of corruption, different governments have spent unequal and inappropriate budget funds in order to develop domestic production.

As I mentioned above, the crisis raises new challenges and opportunities, countries that took the opportunity to participate in the global economic settlement, were able to see the problems caused by the pandemic, it might be new perspectives and opportunities, they have become and have been involved in the world competition and effectively managed to handle the economic crisis, such as attracting investment, making a good investment offer. If we look at trade relations between Japan and China, we will notice that the Japanese government has offered 87 companies to relocate their production to Japan

or Southeast Asia, due to the disruption of the supply chain and the huge losses it has caused to companies. The Japanese government has allocated \$ 2.2 billion for subsidies for diversification in Vietnam, Myanmar, Thailand, other Southeast Asian countries, and Japan. One of the companies that took advantage of the subsidy and opened a factory in the northeastern city of Sendai in northeastern Japan was “Iris Ohyama”, which produces masks. The reason is, of course, the recent strict regulations, high export tariffs and the weakness of the export chain caused by the pandemic¹.

The spreading area of COVID 19 has a significant impact on the world economy, therefore there are different expectations from different world organizations, the forecast of the International Monetary Fund in 2021 is as follows: The global economy will grow by 6.0% and by 4.9% in 2022², with inflation expected to stabilize in 2022 when it returns to pre-pandemic levels.

The global vaccination process is uneven, contributing to an unhealthy environment, re-disrupting the global economic chain and creating new risks. If we look at the research of global organizations for 2020 and compare their forecast with today's data, we will notice that we have a difference, which is largely due to the unequal distribution of resources/vaccines and other circumstances.

According to the OSCE report, world economic growth would be reduced to 2.4%³. And according to the analysis conducted by the UN, global economic growth would be up to 2.5%. Subject to the OECD, world economic growth will be 4.2% in 2021, while in 2022 it will decrease by 0.5% and will be maintained at the indicator of 3.7%.

According to the current data by the World Bank, the import of goods amounted to 19,007 trillion in 2018, 18,482 trillion in 2019 and decreased to 1,487 trillion in 2020 and constituted to 16,995 trillion⁴. The World Bank data on foreign direct investment in GDP are as well interesting, which runs as follows:

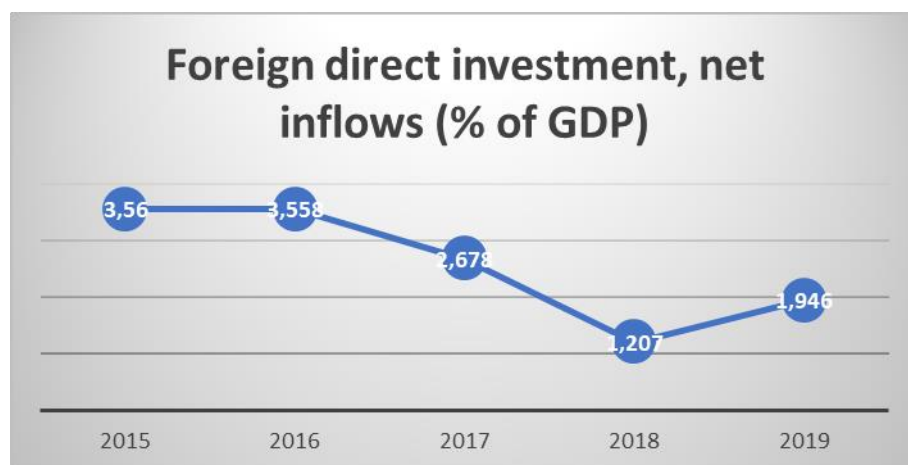


Fig.1. Source: <https://data.worldbank.org/indicator/BX.KLT.DINV.WD.GD.ZS>

Based on the data, we can judge that foreign direct investment used to decrease from 2016 to 2018, eventually it decreased by 2.351% and constituted to 1.207 in 2018. In 2019 there was a revival of the mentioned indicator; compared to the previous year it increased by 0.746%.

Inflation is below the pre-pandemic mark, to demonstrate it more clearly let us rely on the World Bank data where it was 2.192% in 2017, 2.421% in 2018, in 2019 the benchmark started to fall to 2.187% and in 2020 it decreased by 0.25% and amounted to 1.937%⁵. According to the Organization for Economic Co-operation and Development (OECD), inflation in the G20 countries is constitutes to 3.7%, and is supposed to increase by 0.2% to 3.9% by 2020, although economists expect price stability to be higher than 3% in the G20 countries next year. In addition, the OECD explains that inflation will be above average than it was before the pandemic.

¹ https://www.washingtonpost.com/world/asia_pacific/japan-helps-87-companies-to-exit-china-after-pandemic-exposed-overreliance/2020/07/21/4889abd2-cb2f-11ea-99b0-8426e26d203b_story.html

² <https://www.imf.org/en/Publications/WEO/Issues/2021/07/27/world-economic-outlook-update-july-2021>

³ <https://doi.org/10.1787/7969896b-en>

⁴ <https://data.worldbank.org/indicator/BM.GSR.MRCH.CD>

⁵ <https://data.worldbank.org/indicator/FP.CPI.TOTL.ZG>

According to the International Labor Organization, in the second quarter of 2020, compared to the second quarter of 2019, working hours were shortened to almost 400 million working hours, representing more than approximately 155 million jobs. Subject to the same data, people being unemployed because of the Global crisis problems will be 75 million in 2021, it will be reduced by 52 million in 2022 and will be 23 million. It is also noteworthy that, with the exception of the Covid 19 crisis, if we take this benchmark, we will note that the last time such indicator was observed was in 2013.

Throughout the world, the restoration of foreign trade began in 2020, after the restrictions were lifted. China played a crucial role in the restoration of the world trade, where the export, after a sharp decline earlier this year, has recovered significantly along with economic renewal and the increase of international demand on medical products. However, the world trade rate remains still significantly lower compared with the beginning of the year. According to the International Monetary Fund, world trade fell by 10% in 2020, just as it happened as a result of the 2009 financial crisis. Although exports and imports from almost all countries have declined, the losses have been unequally distributed. For countries, for the economy of which the tourism sector makes an important contribution, the forecast was highly pessimistic, conditioned by international travel restrictions on the one hand and consumer fears of being infected by the virus on the other hand. For example, China's total exports and imports are increasing every year, despite the pandemic, according to the three-quarters of 2021 data, it increased in total by 22.7%, which amounts to about \$ 4.39 trillion⁶. According to the Euro area data for August 2021, export of goods increased to 1,563.0 billion Euros, an increase of 15.2% compared with January-August 2020, and import to 1,436.2 billion euros, an increase of 16.8% compared with January-August 2020.

Conclusions. It is very important for the countries to understand properly the existing economic challenges. At this stage, most of the countries have kept pace with current challenges, although there are still problems in terms of medical threats and humanitarian objectives, and there is left a limited resource for the assessment of a long-term economic impact; within the limited resources, it is rather difficult to initiate separate economic advantages and stimulation packages as well as to impose restrictions. In all cases, it's essential to determine the economic cost of these steps.

Wherever possible, it is important not to limit citizens' freedom of economic choice; the timing of crisis is very important as well as how the world can deal with it – developing countries will be considerably dependent on the scale of international assistance which they can mobilize; greater emphasis is given to the acceleration of reforms in terms of electronic governance and development of the current platform as well as the increase of their accessibility; it is necessary to comprehend international positive and negative experience not only in terms of managing the health but also economic crisis; likewise, private initiatives are essential too, i.e. whether at least the part of the business will be able to self-organize, to develop new types of services and products, which will meet current challenges better.

REFERENCES

1. Data of Statista. (2021). "Unemployment rate in selected European countries as of June 2021" Retrieved from <https://www.statista.com/statistics/1115276/unemployment-in-europe-by-country/>.
2. EC.EUROPA.EU/EUROSTAT. (2021). "Euro area international trade in goods surplus". Retrieved from https://trade.ec.europa.eu/doclib/docs/2013/december/tradoc_151969.pdf
3. International monetary fund. (2020). World Economic Outlook, October 2020: A Long and Difficult Ascent. Retrieved from <https://www.imf.org/en/Publications/WEO/Issues/2020/09/30/world-economic-outlook-october-2020>
4. International monetary fund (2021). world economic outlook. Retrieved from <https://www.imf.org/en/Publications/WEO/Issues/2021/07/27/world-economic-outlook-update-july-2021>
5. OECD Economic Outlook, (2021) Interim Report. Retrieved from <https://www.oecd.org/economic-outlook/>
6. OECD Economic Outlook, (2020). OECD Economic Outlook, Interim Report, 15-25. Retrieved from https://www.oecd-ilibrary.org/economics/oecd-economic-outlook/volume-2019/issue-2_7969896b-en
7. National Bureau of Statistics of China. (2020). The Overall National Economy Maintained the Recovery Momentum in the First Three Quarters. Retrieved from <http://www.stats.gov.cn/english/>
8. Washingtonpost.com. (2020). Japan helps 87 companies to break from China after pandemic exposed overreliance. Retrieved from https://www.washingtonpost.com/world/asia_pacific/japan-helps-86d203b_story.html
9. World Bank Open Data. (2021) Foreign direct investment, net inflows (% of GDP). Retrieved from <https://data.worldbank.org/indicator/BX.KLT.DINV.WD.GD.ZS>
10. Trading economics. (2021) „Exports in European Union”. Retrieved from <https://tradingeconomics.com/european-union/exports>.