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**INTERNATIONATIONAL RELATIONS AND DIPLOMACY**

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**QUESTION**: COVID-19 pandemic continues to ravage the world. Briefly assess the pandemic impacts on the global economy between December 2019 and April 2020. Basically explain both the intended and unintended consequences of the shutdowns, looking at the statistics of global financial institutions.

What is COVID-19?

COVID-19 is defined as any group of RNA viruses that cause a variety of diseases in humans and other animals. Coronaviruses (CoV) is a large family of viruses that cause illness ranging from the common cold to more severe diseases. In humans they’re typically spread via airborne droplets of fluid produced by infected individuals. It is also referred to as coronavirus disease 2019, or COVID-19. The name “coronavirus” comes from crown-like projections on their surfaces. “Corona” in Latin means “halo” or “crown”. Researchers first isolated a coronavirus in 1937. They found a coronavirus responsible for an infectious bronchitis virus in birds that had the ability to devastate poultry stocks. Cold or flu like symptoms usually set in and are typically mild.

However, symptoms vary from person-to-person, and some forms of the virus can be fatal. Coronaviruses can mutate effectively, which makes them so contagious. COVID-19 has already upended life in some of the wealthiest countries. The impacts of COVID-19 stifled economic activities. First,the spread of the virus encouraged social distancing which led to the shutdown of financial markets, corporate offices, businesses and events. Secondly, the exponential rate at which the virus was spreading, and the heightened uncertainty about bad the situation could get, led to flight to safety in consumption and investment among consumers, investors and international trade partners. My focus is based from the start of 2020 through March when the coronavirus began spreading into other countries and markets. In December 2019, there was anxiety about the impact of US-China trade war, the US presidential elections and Brexit on the world economy. On account of these, the IMF had predicted moderated global growth of 3.4 percent but due to fear and uncertainty, and to rational assessment that firms profit are likely to be lower due to the impact of COVID-19, global stock markets erased about US$6 trillion in wealth in one week from 24th to 28th February. The IMF in March stated that it expected a global recession that would be at least as bad as the 2007 to 2008 global financial crisis followed by a recovery in 2020. The spread of coronavirus was collected from worldometer. The data shows that the US had the highest number of infected individuals, followed by China, Italy and Iran as at 27th of March 2020. Regional data on the spread of the coronavirus which was reported by the World Health Organization show that Europe had the highest number of infected cases followed by China, Italy and Iran as at 26th of March 2020.

Furthermore, the global spillover on the economy between December 2019 and April 2020 became severe as people were asked to stay at home, and the severity was felt in various sectors of the economy with travel bans affecting the aviation industry, sporting event cancellations affecting the sports industry, the prohibition of mass gatherings affecting the events and entertainment industries. There were parallels between the COVID-19 crisis and events of 2007 as in 2020, many people in the earlier recession assumed the impacts would largely be localized. The sudden economic disruption caused by COVID-19 is not only destructive but also has spillover implications because it created demand and supply shocks in almost every area of human endeavor. The impacts are as follows:

1. **SPILLOVER TO THE HEALTH SECTOR**

The services of public hospitals grew in high demand but the majority of the testing equipment was in private hospitals in several countries. China temporarily closed all hospitals in the central city Wuhan, the epicenter of a coronavirus outbreak. Irans hospitals struggled to cope with the coronavirus outbreak. In Spain, the Spanish government nationalized all private hospitals and healthcare providers as the virus was spreading very rapidly. The coronavirus also affected the pharmaceutical supply chain. Drug makers around the world relied heavily on ingredients made in Chinese factories. About 60% of the worlds active pharmaceutical ingredients were made in China before coronavirus outbreak, and this caused severe problems as China shutdown majority of its factories including factories that produce drugs.

1. **SPILLOVER TO THE EDUCATION SECTOR**

The coronavirus disrupted the $600 billion higher education industry. Educators and students around the world felt the ripple effect of the coronavirus as colleges and universities were instructed to shut down after the coronavirus was declared a public health emergency in man y countries. The outbreak had more severe consequences on schools that did not have an online learning platform. Also, UNESCO reported that COVID-19 outbreak disrupted the education of at least 290.5 million students worldwide. Public schools in the US were closed Australia shutdown some schools, while countries like Israel, Nigeria, Egypt, Italy, France, and Spain shut down all schools, and this created some form of unemployment for teachers. On the positive side, there were suggestions that the coronavirus outbreak increased the importance of online education in the fall of 2019, according to Eduventures.

1. **SPILLOVER TO FINANCIAL MARKETS**

The most visible outcome of the COVID-19 crisis on financial markets was the effect in the global stock market. Global stock markets lost $6 trillion in value over six days from 23 to 28 February, according to S&P Dow Jones indices. Between February 20 and March 19, the S&P 500 index fell by 28%, the FTSE 250 index fell by 41.3%, and the witnessed a plunge in their share price. Although the oil price war, in which Russia and Saudi Arabia were driving down oil price by increasing oil production, played a role in the fall in stock markets indices, the subsequent fall in stock market indices in March was mainly due to investors’ flight to safety during the pandemic.

1. **SPILLOVER ON THE OIL PRICE WAR AND THE EFFECT ON OIL-DEPENDENT**

The coronavirus pandemic worsened the situation through the reduction in the demand for oil products. The imposed travel restrictions during the pandemic, which led to a reduction in the movement of people and goods, resulted in a fall in demand for aviation fuel, coal and other energy products, which subsequently led to a fall in oil price due to low demand. The coronavirus crisis also affected a wide range of energy markets such as the coal, gas and renewable energy markets, but its impact on oil markets was more severe because it stopped the movement of people and goods, which led to a drastic decline in the demand for transport fuels. The effect of the pandemic on oil-dependent countries was severe. These countries also faced increasing pressure on their foreign exchange reserves, which subsequently led to the devaluation of local currencies against the dollar. The sustained decline in global oil price due to the COVID-19 pandemic meant that the current national budget became outdated for most oil-dependent countries, and had to revised because it did not reflect the current economic reality since the budget was priced at a higher oil price from 2019.

1. **SPILLOVER TO THE TRAVEL INDUSTRY**

The coronvirus outbreak led the government of many countries to impose on non-essential travel to countries affected by COVID-19, indefinitely suspending tourism travel, work visas and immigrant visas. Some countries placed a complete travel ban on all forms of inward or outward travel, shutting down all airports in the country. At the height of the coronavirus pandemic, most airplanes flew almost empty due to mass passenger cancellations.

Despite the clear danger that the global economy is in, there are also reasons to be hopeful that this worst-case scenario can be avoided. Government has learned from previous crises that the effects of a demand-driven recession can be countered with government spending. Consequently, many governments are increasing their provision of monetary welfare to citizens, and ensuring businesses have access to the funds needed to keep their staff employed throughout the pandemic. Finally, there is the fact that the crisis may have a clear end date when all restrictions on movements can be lifted

The intended and unintended consequences of the shutdowns, looking at the statistics of global financial institutions of current policies are vast, in both human and economic terms. The government of Taiwan, Japan, and South Korea seem to have shown that even a democracy can manage a health crisis directly, by seeking to minimize spread of the disease, in ways that won’t cripple the economy. The health of the economy is not as important as the health of the citizenry. However, as a result of COVID-19 related business shutdowns, US initial unemployment insurance (UI) claims increased by an unprecedented 3,000 percent between March 7 and April 4 for a total of about 17 million claims during this period. The unintended consequences of coronavirus related unemployment insurance tax laws. However, the waivers could have an unintended consequence. Firms may be more inclined to lay off workers now given that the current cost of layoffs is being reduced. One way to evaluate whether these changes incentivize firms to lay off their workers is to compare last month’s increase in UI claims between states which have not waived UI-related tax increases. If increases to UI claims during the pandemic are higher in states that have not, then it is evidence that relaxing UI tax penalties is associated with firms’ increased willingness to lay off more workers during the pandemic. As the COVID-19 pandemic spreads around the world, and across every state in the U.S school systems are shutting their doors. To date, the education community has largely focused on the different strategies to continue schooling, including lively discussions on the role of education technology versus distribution of printed paper packets.

Consequently, with half of the world’s population in shutdown in a bid to slow coronavirus, many elements of normal daily life are changing and not always in the ways we’d expect. Another consequence is the cybercrime rates “pretty alarming” especially in Australia. Most of these scams involve criminals pretending to be the government, sending messages through apps like WhatsApp, and getting access to someone’s phone. Banks under strain, want people to be ‘digital ready’. Other crime rates predicted to fall e.g burglary and car crime.

In conclusion, don’t waste the coronavirus crisis. Policy makers in many countries were under pressure to respond to the coronavirus outbreak. As a result, many governments made fast policy decisions that had far-reaching negative effects on their respective economy –many countries plunged into a recession. Finally, the coronavirus-induced public health crisis created an opportunity for many governments to make lasting reforms in the public health sector. Some government also used the crisis as an opportunity to fix the economic system and the financial system and the financial system with the planned federal stimulus package.

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