

## COVID-19: ECONOMIC POLICY SITUATION IN ESTONIA AND OTHER COUNTRIES (FEBRUARY – MAY 2020)

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**ABSTRACT:** The article covers the spread of the corona virus (Covid-19) and developments above all in Estonia but also in other countries (the European Union and other countries of the world). The objective of the article is to provide an overview of the spread of COVID-19 in Estonia and in other parts of the world, also to discuss the potential economic impact of this pandemic and further activities of economic policy for economic recovery and achievement of socio-economic security. The following research tasks were set for the achievement of this objective: to study the situation and development of COVID-19 morbidity in Estonia; to study the developments also in other countries on the background of the developments in Estonia; to assess/analyse and point out the potential damage/losses (the general picture); proceeding from the factors mentioned above, to present the most important socio-economic activities for the recovery of the national economy and ensuring socio-economic security.

### INTRODUCTION

It started to transpire at the beginning of March 2020 that corona virus (COVID-19) which was globally spreading had caused extensive disease outbreaks which had reached more than about  $\frac{3}{4}$  of the countries of the world by the middle of March. Fighting and overcoming this disaster was very topical for all countries.

The objective of this article is to provide an overview of the spread of COVID-19 in Estonia and in the rest of the world and also to discuss the potential economic impact of this pandemic and further activities of economic policy for the economic recovery and ensuring socio-economic security. The research tasks consisted of the problems presented in the following three sections:

1 In Estonia: business owner and Chairman of the Board, Managing Director since 1993 (private limited company Mattimar OÜ); contact (villa/office): Kose tee 79, 12013 Tallinn, Pirita-Kose, Estonia; mattir@hotmail.ee ; www.mattimar.ee ; (in the University of Tartu: matti.raudjarv@ut.ee)

In Georgia: Visiting Professor of the Georgian Technical University – from March 2014 to November 2017: annual cycles of lectures/seminars/supervisions for about a month (elected as Visiting Professor for a longer period in spring 2018, re-elected with an increasing workload – in autumn 2019) and of the Tbilisi State University (appointed in spring 2018).

### 1. INTERNATIONAL SITUATION, INCL. IN ESTONIA

The disease caused by the corona virus started to spread in Wuhan City of the People's Republic of China at the end of 2019 and expanded rapidly from there in January-February 2020. Massive numbers of infected people fell ill and many people died. The disease spread from China to many other countries (in Asia, Africa, America, Australia, Europe, incl. the European Union (EU) Member States, and to many other countries globally). According to the information of the Estonian Minister of Foreign Affairs Urmas Reinsalu, the virus had spread to 198 countries of the world by 26.03.2020, i.e. virtually all over the world. In Europe, Italy and Spain were in the most unfortunate situation both in terms of morbidity and particularly the mortality rates.

In Estonia the first disease case occurred in 20.02.2020 and the first person died of this virus on 25.03.2020. In Estonia, 538 people had fell ill in the course of five weeks (20.02 – 26.03.2020)! By 27 March, 575 persons had fallen ill with the corona virus in Estonia. The morbidity rate was the highest in Estonia on the Saaremaa Island (it probably started from the competition with Italian volleyballers visiting Saaremaa at the time of already massive spread of the disease and mortality in Italy). The infection spread from Saaremaa to other Estonian counties – Võrumaa and Harjumaa.

As *emergency* had already developed in Estonia by that time (12.03.2020) due to the corona virus, many restrictions had to be imposed in the interest of human health, incl. concerning gatherings of people. As the increase in morbidity was a real problem, it was recommended to impose restrictions in Estonia for at least three or four months.

On the same day, at 14.00 on 12.03.2020, an emergency meeting of the Government of the Republic of Estonia started to discuss the situation again and adopted the decision; late in the evening the Government of the Republic declared an emergency situation in Estonia (the same happened in Latvia on 13 March and in Finland on 17 March) together with more strict restrictions/prohibitions, checks, incl. full border control, and other required measures, at first until 1 May 2020.

On 17.03.2020, prohibition on entering Estonia was imposed on citizens of foreign countries (with some exceptions, e.g. cargo transportation, transit, etc.); self-isolation or quarantine at home for 14 days was

imposed from the same time to citizens of the Republic of Estonia and their close relatives after their return to Estonia. No restrictions were imposed on leaving Estonia. In practice, countries used similar but often also different measures.

Considering the situation, a “second wave” of a new increase in infections was regarded possible after the subsiding/decrease in disease outbreaks.

## 2. COVID-19: CRISES AND THE RESULTING PROBLEMS

We had/have at least three closely interrelated crises:

- firstly, the direct *virus crisis* (medical and moral, etc.),
- secondly, the accompanying/following *economic crisis* (universal in terms of economic policy and socio-economically), and
- thirdly (on the background of both of these crises), the internal individual *psychological and existential crisis* of people.

These three crises are obviously related to the social situation, objectives of economic policy, measures, decisions, behaviours, control and consequences. Considering the aspects of economic policy, the solidarity between European Union Member States had at least partly weakened. We can state that almost all member states have unfortunately acted on their own in stopping/restricting/eliminating the massive spread of the corona virus and have often not coordinated with the neighbouring countries their decisions and actions in imposing measures.

As many people stayed at home for long periods with their family, the increase in stress and also family quarrels and even suicides was expected. While we have to overcome the virus, we have to develop the economy further and create jobs at the same time (certainly in a reasonable and environment-friendly manner!). Let us look at the broader picture – the economic crisis arising from and following the virus brings along rather serious human and material losses, both directly and indirectly.

## 3. ECONOMIC SITUATION AND ECONOMIC POLICY

This virus will certainly be accompanied by an economic crisis, large losses and business bankruptcies, increase in unemployment and partial impoverishment – restoration/recovery of all this may cost a lot and take time? The economy of countries, incl. Estonia, the economic structure and further economic policy depends on the current situation, what is going on at home (in home country) and in the global economy, incl. the situation with many types of raw materials and their prices. Also the Estonian businesses, the government and politicians have to take this into account.

The prices of many types of raw materials and the goods produced from them were very chaotic at the end of March 2020, e.g. the stock market news of the week (information received on 3.04.2020)<sup>1</sup> were (according to Reuters):

- The European wheat prices reached the bottom in two weeks;
- the crises in the dairy market was the worst;
- raw sugar prices fell to the lowest level in the last 18 months at the beginning of the week;
- oil prices increased faster than ever in the history.

Transportation is surely one of the areas of the tertiary sector which was hit most by the crisis<sup>2</sup>, its recovery (also that of tourism, accommodation, food services, trade, etc.) will take longer than in other areas. It certainly needs supporting investments which would take into account problems related to climate and the environment. The corona crisis brings out weak spots which can be improved to make the European Union and the member states in general function more efficiently.

The Estonian Institute of Economic Research conducted a survey among Estonian businesses from 1 to 10 March and 16 to 19 March 2020 (725 respondents: industry and construction from the secondary sector, and trade, hotels, restaurants, tourist agencies, advertising agencies, real estate agencies, transport companies from the tertiary sector). The main problem was then and during the following period (at least three months) the decrease in or complete loss of demand. According to the results of the survey:

- businesses need support for covering labour expenses (ensuring the minimum or average wages, making redundancy payments);
- it was considered important to obtain grace periods from banks for loan and lease payments during the months of the crisis;
- businesses expected understanding and reduction of taxes from the Tax Office;
- it is necessary to keep international transport corridors open to allow functioning of supply chains.

Since the economic life is largely based on trust, it is very important to restore trust between countries and restart the business world which had come to a standstill.

1 Börs: kriis räsib piimaturgu. (Stock market: the crisis hits the dairy market.). [[https://www.pollumajandus.ee/uudised/2020/04/03/bors-kriis-rasib-piimaturgu?utm\\_campaign=03.04.2020&utm\\_medium=email&utm\\_source=sendsmaily](https://www.pollumajandus.ee/uudised/2020/04/03/bors-kriis-rasib-piimaturgu?utm_campaign=03.04.2020&utm_medium=email&utm_source=sendsmaily)] 4.04.2020

2 Recovery is actually complicated in all areas of the tertiary sector as many institutions/organisations/businesses of the tertiary sector were closed or not allowed to operate, besides, a part of them are microenterprises. This does not mean that recovery of the primary and the secondary sectors will be easy.

### SUMMARY AND CONCLUSIONS

The emergency situation (although with certain further restrictions and alleviations<sup>3</sup>) was ended in Estonia on 18 May 2020. We would like to hope very much that people, businesses, local municipalities and countries have only minimal direct and indirect losses and damage! Medicine and behaviour of people themselves should be as good as possible also to minimise the negative consequences.

3 The author of the article will not list here the remaining and removed restrictions and the alleviations made.

However, we should take it into account that we are facing relatively large changes both Estonia and the European Union and in the whole world – even if we overcome the virus and restore our economy (which will surely have a changed structure then) and solve the new socio-economic problems, the world will no longer be the same, we will have to do many things differently, some activities and situations will remain in the past and everybody will have to be ready for new thinking and different actions.

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