THE IMPACT OF THE COVID-19 PANDEMIC ON THE GLOBAL ECONOMY

PhD Student Doina Drăgoi
University of Craiova, Doctoral School of Economics
Faculty of Economics and Business Administration,
Economy Craiova, Romania

Abstract: The outlook for global, European, national economies is significantly negatively influenced by the disastrous repercussions of the current COVID-19 pandemic. The majority of countries will experience economic recession and strong contractions of global GDP, which will leave a strong impact on economies for a long time, with all the effort made by the competent international bodies, the governments of the countries, by applying fiscal, monetary measures in with a view to sustaining economies and mitigating the effects of the current economic crisis. The economies of less developed, developing and even developed countries will be the most affected and the process of recovering losses and recoveries will be long and difficult.Thus, taking appropriate measures with short and long-term effect, in order to reduce the negative impact on economies, is required in the current situation and is a global, European and national priority.

JEL classification: F01, F63, F68, O4, H6

Key words: global perspective, economic development, economic policy, economic growth, budget deficit.

1. INTRODUCTION

The COVID-19 pandemic has various implications for us, from the health problems it creates for us and the high speed with which it spreads to the negative effects it has on economic activity, which has led to a new global economic crisis without precedent. The health system, which was tested to the maximum, was also affected. With the increase in the number of diseases and its massive spread, measures were taken to limit the movement and close contact in groups of people, which led to stagnation or reduction of economic activity in „several sectors of activity" and thus to decrease the disastrous effects of this pandemic are visible both now and in the short and long term, which will involve a complex and lengthy process to regain the land gained with effort and lost so easily. Limiting the effects of the pandemic, achieving global coordination, strengthening public health systems and bringing people to the center of attention and enhancing them are priorities in order to eliminate the effects of the pandemic on the economy.

2. OBJECTIVES

The purpose of this article is to present an overview of the evolution of the global, European economy in the context of the Covid-19 pandemic, given the negative and long-term effects, effects that will be difficult to recover through the application of policies, economic and fiscal tailored to the specifics of each country.

3. METHODOLOGY

The research methodology used in this article is represented by methods and techniques such as: scientific observation, documentary analysis, formulation of hypotheses and conclusions.

4. GLOBAL ECONOMIC PROSPECTS

The present and the global economic prospects for the near future but also for the long term in the context of the COVID-19 pandemic, show that "the economies of developing and developed countries have been affected" and the recovery process involves travelling along a sinous road, full of obstacles and challenges, to recover from the economic downturn and record growth. Global GDP (Gross domestic product) in 2020 was projected to shrink by 5.2%, according to World Bank estimates, made public by the Organization for Economic Co-operation and Development in the context of using the market exchange rate share, which means that we are in the worst global recession in recent times, in contrast to the efforts made by international institution and state governments to eradicate the recession by developing fiscal and monetary policies that support countries' economies and, implicitly, the global economy. Looking ahead, over a longer period of time, the effects of the pandemic will mark the global economy, leaving lasting scarring signs that can erode human capital by losing jobs, lack of schooling, making smaller investments, disrupting trade agreements, global supply.

All these require urgent measures, put into practice in order to reduce the consequences, effects on the economy and the health of the population, to protect it in order to substantiate a sustainable recovery. In less developed or developing countries, special attention must be paid to the public health system, which must be supported by the implementation of immediate reforms to strengthen it and ensure its sustainable development, while mitigating the crisis in the public health system. .

According to data provided by the International Monetary Fund in the Global Economic Prostect Report of June, 2020, data on the real GDP of the global economy, expressed as a percentage „compared to the previous year" show that the United States will register at the end of 2020 compared to the first period of 2020, respectively January, -7.7% and in 2021 , 1.6%. Thus, it will manage to recover the minus and register an increase of 1.6%, achieving a total of 9.3%. In Europe, the real GDP of the global economy is -10.1%, and in 2021 it will reach 3.2%, which places Europe above the United States, with a percentage of 13.3%. All these require urgent measures, in order to reduce the consequences, effects on the economy and the health of the population, in order to substantiate a sustainable recovery. In less developed or developing countries, special attention must be paid to the public health system, which must be supported by the implementation of immediate reforms to strengthen it and ensure its sustainable development, while mitigating the crisis in the public health system. .

The IMF's June 2020 Global Economic Prostect Report specifies that each region is subject to different contracts depending on social, economic, political conditions: Europe, Central Asia -4.7%, Latin America-7.2%, North Africa and the Middle East -4.2%. China has a contraction of -4.9% in 2020 and in 2021, it will increase by 6.9%, while Indonesia will have a contraction of -5.1% and an increase of 0. All these economic imbalances and contractions will be reflected in people's living standards, with the possibility of increasing the poverty rate, affecting as many people as possible, pushing them towards extreme poverty. These negative contractions in the real GDP of the global economy are the result of pressure on health systems that do not have the technical capacity to cope with the current situation, declining activity in the trade and tourism sectors due to restrictions on population movements and capital flows. The tax system is affected by the accumulation of debt, suppliers of energy products, industry, and the oil market through the imbalance created between oil demand and the sharp fall in price. The automotive industry registered a considerable decrease, which also led to a decrease in the demand for raw materials and materials used, such as platinum, rubber. Agricultural markets are constantly expanding and there is a good supply globally but malfunctions may occur in some regions due to trade restrictions, which would disrupt the pace of supply and create problems in food markets due to a lack of commodities.

Unfortunately, there is the possibility of much worse results. If we look at things from this pessimistic perspective, we find that there are many disadvantages materialized in uncertainties and significant risks. It is expected that in the economies of developed countries, measures to restrict the pandemic will be reduced by mid-2020 and in the economies of less developed or developing countries, much later, probably towards the end of 2020, trying to avoid a financial crisis affecting as many states as possible. At the level of the global economy, the growth in 2021 would be forecast at 4.2%, being a modest percentage but which can be considered quite optimistic if the expansion of COVID-19 continues, which could again lead to the imposition of restrictions, with direct disruptive effects on economic activities. This would lead to a much more severe economic recession, due in part to the inability of companies to pay their debts, increase the risk of repaying loans and thus the cost of loans, which would lead to bankruptcy and the establishment of a financial crisis in several countries. If this were to happen, global growth would be able to fall by as much as 8% in 2020 The period required to overcome the crisis of the global economy will be a sign of the depth of the economic recession. There are forecasts that indicate sharp declines worldwide, which would require some further action and a review of existing ones by policy makers in order to support economic activity. Another worrying aspect of the global recession is the price paid by humanity in both large-scale informal economies, which account for about 70% of the GDP and labor force „of emerging markets in developing countries"” economies. Governments need to identify as innovative solutions as possible to support the workforce and this sector. Lending to companies could be a temporary solution that could help this sector.

The global economic outlook after mid-2020 aims beyond the short-term forecast to identify the major „repercussions of the deep global recession”: the level of production cannot reach maximum capacity, employment and productivity are low. Some less developed or developing countries with a poorly developed health system have tried to include COVID-19 in emerging economies, which could have much greater long-term negative effects on economic growth and productivity. These emerging economies had problems with economic growth even before ”the COVID-19 pandemic broke out”, which makes the recovery process quite difficult.

Due to the current COVID-19 pandemic, the oil market has declined historically due to low demand and restrictions on free movement. However, this situation may come in the temporary support of economic activities. By limiting the activity of some sectors of activity or their temporary closure, such as tourism, hotel industry, transport industry, energy, automobiles, substantial losses were recorded. The chances of recovery of these sectors of activity are quite limited in the short and long term. It is necessary to reinvent oil producers by diversifying their economies, initiating reforms to subsidize energy, while efforts to reduce and improve the health system crisis.

5. THE EFFECTS OF THE PANDEMIC CRISIS LIMITATION

Economic history shows the hardness and durability of the modern economic model after receiving shocks. The first steps in recovery would be the isolation of the COVID-19 virus, the identification, the elimination of the causes of its appearance and another pandemic virus, the strengthening of the public health system, the gaining of the population's trust in it. Then, the focus on the development of monetary, financial, fiscal schemes as secondary weapons in the fight against the pandemic and its effects. The trust of the population is an important factor that must be gained in the field of health, economic, financial, social, political, which will determine the taking of common measures but the most important aspect is that they must be taken on time and at the same time globally. The governments of some countries have provided compensation in contrast to the austerity of the financial crisis or the establishment of a threshold for the budget deficit.

However, economies cannot completely abandon the basic rules that define the macroeconomic balance and destabilize one's finances. Returning to life before the pandemic is problematic and there will be nothing like it. We hope that we will learn from the lessons given and we will not forget them.

Global coordination is more than necessary, in addition to the individual global security and the distance measures taken by the world's states. This would be to stop the interaction between people that could be the engine of the economy. The health systems of the world's states have been hit by the pandemic, which has shown the governments' negligence for the health of its citizens, resorting to rules limiting or banning human relationships to stop the infection of as many people as possible and the circulation of the virus. The health system is an integral part of a country's economy and has been shown to be substantially neglected. Global coordination and the establishment of global risk funds that take over at any time the difficulties of lending, liquidity are essential for states that do not have the capacity to act in real time. The risks must be shared between the states and the market and the lack of cohesion between them would lead to the closure of private sector businesses, the dismissal of employees which is not a viable solution at all. It is a difficult process that must begin with the launch of a new political culture, the education of citizens and the opening of new horizons for them. When in the middle of this scenario is the human existence that defines the global society and its evolution towards progress and development, we understand what is in fact the purpose of macroeconomic balances, of their maintenance and restoration. The speed of destructuring an economy through market forces is very high in contrast to the rather late reaction of governments.

6. GLOBAL COORDINATION IS AN IMPORTANT FACTOR IN THE PANDEMIC CRISIS

Informed people, experts from all over the world say that the COVID-19 pandemic is a new situation that humanity has never faced before. What is new in the current situation we are going through is the fact that joint efforts must be made for medical systems that were not prepared and taken by surprise to cope with the avalanche of diseases on the one hand, the need for countries' governments to focus on public health, and on the other hand, take economic, financial, political measures to support drifting economies and record substantial declines and losses in both the short and long term. It is necessary to infuse money, financing from states or central banks to support economies, their contribution being estimated at a percentage of 5-10% of GDP. Without this support, the cost of the current pandemic would be very high risk and with major repercussions on all, difficult to recover later.

There is a need for international coordination and solidarity, the development of joint programs to support countries' economies and to mitigate the effects of the historical economic crisis we are going through. By carrying out actions at the level of each state, it will not be possible to obtain the expected results and the global crisis will not be able to be attenuated. If we refer to fiscal incentives, we identify two key threats: 1. the effects of the crisis on producers in other countries can be transferred to those who import their products or raw materials, in the economy of the country with which it has economic and financial relations; obvious to have a chaotic increase in global public debt, unprecedented. These situations could be overcome to some extent by simultaneously synchronizing the aggregate demand of all states and thus exchange rates will change slightly and interest rates charged by banks will be able to be borne by the population. One solution would be for all new states to benefit from the new global demand, stimulated by economic, financial and political policies, and to apply the same production mechanisms in parallel.

Underdeveloped and developing countries may be exceptions to the measures presented above, where there is a risk that some practices will be closed and people will lose their jobs, which would greatly affect the economy and thus the labor market and the recession would be much deeper. In this situation, international bodies such as the International Monetary Fund-IMF, G-20 can intervene in both the short and long term. Closing private sector businesses has very high costs on the economy not only now but also in the future by ruining relations between entrepreneurs, employees and beneficiaries of the products or services provided, the restoration of which will require time and effort.

Shang-Jin Wei proposes the establishment of a social security, guaranteed by the government, to protect companies and employees in a justified situation of impasse, such as the current situation. Thus, employees would no longer be fired and employers could pay them, would continue to pay their bills, thus avoiding bankruptcy and re-employment of employees. The economic analyst says that the establishment and application of such social insurance has a number of advantages: companies can cease their activity without losing money, which prevents them from going bankrupt; the activity of companies is limited by a pandemic that is transient and not by economic causes; the effects of the pandemic are felt differently in the sectors of the economy, while the economic recession affects all sectors of activity and causes a decrease in demand. Such a scheme would cost the governments of the countries, about 3.75% of GDP and would mean an increase in public debt. Is it a good solution or not? Mario Draghi, the President of the European Central Bank said that we can survive with large public debts, otherwise there is a risk of entering a deep economic recession, with the irreversible destruction of production capacities, the tax base, which will prevent the state from granting loans. government. Such a well-developed program would give governments the task of being the ultimate payer, would allow the alignment of the business environment, of employees. The infusion of liquidity by governments into the economy keeps the consumption of the population below the limits from which the reopening of economic activity would generate problems in terms of costs. This should be applied temporarily during the pandemic to maintain, however, a fiscal base.

Roubini, american economist said that the repercussions of the current pandemic are much faster and more serious than the global financial crisis of 2008 or the Great Depression of the 1930s.), the bankruptcy of companies and the cessation of loans, the increase of unemployment to over 10%, the contraction of GDP (10%). These happened in a period of three years, but today, due to the pandemic, all this took only 3 weeks and the probability that things will get worse is quite high. These things show that the components of aggregate demand, such as consumption, exports, capital expenditures are plummeting and the return is quite difficult and problematic. Roubini believes that the economic recovery, contracting can no longer take the known forms, V, L-contraction with stagnation, U but more than likely form I, which means that financial markets will collapse, as well as the real economy.

The global plan should contain measures to stop the spread of the virus, with China as a benchmark, the application of global treatment schemes until the vaccine can be obtained in at least 18 months. At the G-20 summit in March 2020, the governors of the national banks, the finance ministers of 20 member states pledged to pump more than $ 5 trillion into the world economy, as evidence of global involvement in the global response to the current situation, the coronavirus pandemic that caused this situation.

7. EUROPEAN ECONOMY

The COVID-19 crisis has left its mark on Europe's economy. The private sector and the labor market have been affected, as a barometer of the economic recession, characterized by cyclicality. The current world situation is unique and affects all of humanity, through the conscious, deliberate cessation of economic activities in order to stop the spread of the virus among the population with disastrous effects on the lungs of all mankind, the economy. Paul Thomsen, according to the April 2020 spring report, says that the GDP of the European economy has fallen by 3%, which means a third of Europe's economy, being quite serious.

With the resumption of economic activity, European GDP could contract by 6.5%, which is a much higher percentage than in the previous financial crisis. In a normal situation in the developed countries of Europe, a contraction of GDP was planned -1.5% and reached 7% in the current context. If the COVID-19 pandemic continues or another wave comes, it will be much more difficult to recover the economy and the price paid much higher and it will be necessary at the same time to rebuild the health system. An important role is played by the IMF in developing fiscal policies that contribute to the recovery of the economy, through the speed with which it draws funds and transfers them to the health system, to companies to continue their activity or to support consumption in households. The support of companies and consumption in households was achieved through guaranteed loans, the granting of subsidies for the unemployed and the direct distribution of income. In this context, the estimated budget deficit is 6% of GDP, which is a fairly high figure but which is considered justified in the current conditions. Regarding monetary policy, it started with lower interest rates and the resumption of the purchase of tangible and intangible assets. It is essential that all policies focus on the key points in order to avoid waste or allocation to other destinations without having the expected effect. It is important to support households with what is strictly necessary to ensure the needs of the population.

The involvement of the IMF in supporting the economies of European countries, ensuring the fiscal space for the functioning of the medical sector, are essential elements.

For developed countries that have stable financial markets and cash is easier in the current situation. Some European countries have massive debts, which has led them to resort to the mass purchase of government securities and commercial assets, to which has been added EU funding. The IMF has also turned its attention to emerging non-EU countries that have explicitly called for support. The aim was to reduce the vulnerability of countries that were drastically affected by the previous financial crisis, which left deep traces through a large current account deficit and a heavy dependence of the banking system on external financing.

Paul Thomsen states that the current situation caused by the COVID-19 pandemic will have medium-term effects, materialized in the increase of public debt. The complexity of the situation and the existing unknowns make it difficult and difficult to make accurate assessments in the light of the current economic crisis. The IMF (International Monetary Fund) notes that the severity of financial conditions has intensified, funds are emerging from emerging economies rapidly, liquidity is falling and some markets are frozen. As a facility and solution given by the IMF, it complements its financial instruments as part of a new strategy apply with priority in emerging economy countries with large current account deficits. Applying this strategy can lead to cheaper financing but prevent the lack of liquidity that would deepen the problems in emerging economies. To this is added the possibility to make consecutive withdrawals and payments during a year, respectively 12 months. Thus, the facility granted by the IMF does not function as a loan granted by the IMF but as a credit card made available to countries that can carry out withdrawal or deposit operations.

IMF Member States that qualify for a loan to balance their balance of payments and support weak sectors of the economy can save on the cost of financing through the SLL facility (short-term liquidity line, which is exactly what must at this time).

Romania complied with the current account deficit and the ratio between deposits and loans of commercial banks imposed by European bodies, which was a basis for fiscal policies brought by this crisis. Paul Thomsen states that the Member States of the European Union, including Romania with a restrictive fiscal space will benefit from the necessary assistance. The countries most affected by the COVID-19 pandemic crisis will be Italy and Spain. Their GDP will decline considerably due to dependence on exports, tourism and economic growth. The German economy will not be able to get through this crisis without being directly and considerably affected. The IMF recommends that Member States that have a high level of public debt and cannot control this should not raise interest rates.

The impact of the pandemic crisis on European economies will be different along the North-South demarcation line, with the largest declines in GDP being in Italy and Spain. Dependence on economic growth, either in exports or tourism, will also specifically influence some economies such as Germany, other Nordic countries and again Italy, Greece or Spain. Regarding the increase in public debt and the request for a common EU-wide instrument to finance it, like Coronobonds, the IMF does not yet have an opinion, but only a recommendation that MS with large debts included in any future instrument of this kind not an explosion in financing interest rates, if they cannot promise measures to control the growth of public debt. The establishment of the relaunch fund, the determination of its amount and the provision of it to the EU member states should be of an urgent nature. However, the recovery of the European Union's economy would not be possible immediately only in the coming years.

Merkel proposed to the European Commission to analyze the European economic sectors that are most affected and to draw up a plan of concrete measures. Some Member States of the European Union have had different proposals on the provision of relaunch funds: For example, Spain has proposed that the relaunch fund be in the amount of 1,500 billion euros, Germany is of the opinion that the funds should be allocated to the multiannual budget European Union, Austria has proposed that the funds be granted as loans, Italy, France considers that the funds should be separated from the budget of the European Union. The European Commission estimates that the financial amount will reach 2000 billion euros.

8. THE NEED TO SET UP THE EUROPEAN COUNCIL IN 2020

George Soros considers that this pandemic crisis would be the reason for finding a solution regarding the establishment of the European Recovery Fund, which should reach 1 trillion euros, obtained from the purchase by potential financiers of perennial bonds, favoring the financial market which has costs currently reduced. History says that this has happened over time. Napoleon financed his wars by selling perennial bonds. The First World War was financed in the same way, the last perennial bonds maturing in 2015. The US consolidated its existing government bond issues in 1870 with the agreement of the US Congress given to the Treasury.

George Soros believes that the European Union is practically in a war considered "once-in-a-lifetime" with a virus that threatens people's lives but also the European Union by the fact that member countries have closed the national borders of other member states in order to protect population, which violates the principle of solidarity on which the EU is practically built. He is of the opinion that exceptional measures should be taken at Member State level, namely the issuance of common perpetual bonds at EU level in order to finance Member States' current account debt, which would mean lifting the existing restriction on the purchase of bonds, saving as well as the EU's reputation. Soros says perpetual bonds have the following advantages: they do not need to be financed at maturity, amortizing savings payments for future payments will not be repaid and will be a much lower tax burden for the EU.

The EU will only have to pay interest on perpetual bonds. If we take into account the amount of 1000 billion euros, at the interest rate of 0.5%, the EU would pay 5 billion euros / year, which would mean about 3% of the EU budget for 2020. In this case, the perpetual bonds purchased could become an asset of the European Central Bank and it should no longer rebalance its portfolio. The European Commission will direct the funds collected directly to the Member States in order to recover their economy and eliminate the effects of the pandemic. All this will reduce the short-term and long-term effects of the pandemic. Spain and France have high expectations of the issuance of common bonds, but European Council representatives do not share the same vision. The Netherlands and Germany have disparities of opinion, which has led to the loss of this possibility of relaunching the European economy in contradiction with the common idea that postponing the use of the European Economic Recovery Instrument would allow the recovery of pre-crisis GDP in about 2 years . Germany, through Chancellor Merkel's voice, proposed the formula "Help yourself!", A formula that was not warmly received by the other EU Member States, not being a viable solution and offering a solution to the current situation. Chancellor Merkel returned with a statement stating that it agrees to explore other proposals to support Member States. France, through the voice of President Macron, has been quite direct and transparent: the establishment of a common front, a common debt and guarantees in the EU's multiannual budget that will contain amounts to mitigate the economic effects of the pandemic crisis. Finance Minister Bruno Le Maire came up with the proposal to set up a separate fund from the EU budget but it was not accepted. Giuseppe Conte, the Prime Minister of Italy, supported solidarity with the debts of the Member States and did not agree with the activation of the European Stability Mechanism (ESM) because there are insufficient funds. Italy has also called for coronation grants and access to substantial funds to deal with both the health and economic crisis. Spain has agreed to "set up a perpetual bond-funded Economic Recovery Fund" and the money allocated to each country will be in the form of grants and will not be returned, as proposed by Soros. Dutch Prime Minister Mark Rutte and Finland and Austria argue that the multiannual EU budget proposed by the European Commission would be sufficient, without another supplement. Financial cooperation between the EU and the IMF will be stepped up. The IMF will be mandated to support investment in the coming years. The modalities of EU cooperation with the IMF on the financial line will need to be improved. The IMF will have the task of supporting European investments launched in the immediate years of the crisis. The European Council acknowledged and confirmed the measures proposed by the Eurogroup in the amount of EUR 540 billion to support employees, companies and the current account debts of member countries. The European Commission has the task of preparing the multi-annual budget that will support the economic recovery of the EU Member States.

At EU level, values of solidarity between Member States have been promoted. Unfortunately, this was not visible in the current state of crisis and pandemic. Ursula von der Leyen said the EU had not supported Italy from the beginning. The President of the European Commission has strongly stated that in these times the old disputes, divisions must be put aside and a common front must be made to save the economies of the Member States, the society in which we live. The revitalization, restart and recovery of the European economy should be approached as a new Marshall Plan. In conclusion, we can say that in times of hardship, Europe reacted late to decision-making and implementation.

Goranitis says the European Union has not learned much from previous financial crises. One lesson would be that the European Central Bank through "asset purchase operations does not contribute to the sustainability of the European economy as a whole, but fuels, just as in the previous crisis, the speculative appetite of public debt markets for economies that represent the weak links of the Union. ". Currently, in the opinion of some economists, the European Union should save the economies of Spain and Italy, which represent 3.5 trillion euros of its GDP. The financial crisis has also led to a rather serious political crisis in the European Union. The surprise was the Brexit of Great Britain, its economy being considered the second in the European Union. The Member States of the European Union have tried to apply national strategies to manage the current pandemic situation and recover the economy, which could practically mean the non-existence of the European Union institutions. Northern European Member States have not agreed to set up Eurobonds and a bank to take on all existing "toxic assets" at EU level, in order to manage a new wave of non-performing loans. Spain and Italy are aware that the attempt to save Greece's economy has failed, leading to a 30% drop in GDP and public debt to 200% under the umbrella of the European Stability Mechanism and the International Monetary Fund. They have appealed to the implementation of an austere plan that led to the bankruptcy of an EU Member State. Italy did not agree with the implementation of an ESM plan. The natural question arises, whether the EU can afford to lose two of its large savings by applying forced rescue plans. Obviously not. Nordic Member States have expressed anti-EU sentiment and solidarity has been called into question. In Italy, according to statistics, the anti-EU percentage in March 2020 reached 49% compared to 26% in November 2019. During this period, populism increased in countries such as France, Italy and other Member States in Eastern Europe, which makes the EU insecure and difficult to try in the ideal of remaining united. The European Commercial Bank has exhausted its liquidity in order to do whatever is necessary to support the governments of the Member States. They waited for certain decisions to be taken at EU level, which delayed the process of recovery and sustaining economies, and in the end they had to find individual solutions considered appropriate for their countries' economies but without assuming the consequences.

After prolonged efforts, on May 27, 2020, the European Commission proposed a "recovery plan for Europe" and on July 21, the leaders of the European Union proposed the Next Generation EU instrument, which involves allocating 750 billion euros by the Member States. "*Next Generation EU*" consists of 7 programs that will provide loans of EUR 360 billion and grants, EUR 390 billion. To these are added EUR 1074.3 billion, the allocation of long-term funds for the period 2021-2027 to the states. Member States, which will be used to "recover savings, support investment in the digital transition and in the green transition, as well as in resilience". All these funds join the already existing "3 safety nets" worth € 540 billion for employees, companies and Member States. The total funds allocated by the EU for recovery are worth EUR 2 364.3 billion.

The "recovery and resilience mechanism" has a very important role in the Next Generation EU instrument. Through it, financial support will be provided to Member States through grants and loans amounting to EUR 672.5 billion, which will be used to reduce the economic and social impact of the pandemic and for the transition to greener, more resilient and sustainable economies. In order to benefit from the loans and grants granted through this program, Member States will develop national recovery and resilience plans, investments in line with the objectives of the program by 2026 and their repayment will be made by 2058, December. In terms of the value of the funds and the structure of the Next Generation EU instrument, they are as follows, according to the statement made by the European Court of Auditors in September 2020: "Recovery and resilience mechanism: EUR 672.5 billion, REACT-EU: 47, EUR 5 billion, Horizon Europe: EUR 5 billion, InvestEU: EUR 5.6 billion, Rural Development: EUR 7.5 billion, Fair Transition Fund: EUR 10 billion, RescEU: EUR 1.9 billion '. The first programs, "Recovery and Resilience Mechanism and REACT-EU" will be fully funded through the Next Generation EU instrument and funding for other programs will be provided from other amounts that represent additions to programs funded under the EU's multiannual financial framework.

The European Commission has made public the document which sets out the guidelines that Member States must take into account in drawing up their national resilience and recovery plans, adapted to their specific conditions and a standard model plan. Priority is also given to very large investments in order to create new jobs, to register economic growth. Inclusion in national investment plans of areas such as the use of renewable energy, rehabilitation of public buildings by increasing energy efficiency, expansion of public transport networks and their modernization, construction of transport stations based on sustainable energy, introduction of fiber optic connection services and 5G in all regions, add value and have much higher chances of approval. To these are added: investments regarding the modernization of the administration through digitalization and not only, of the health system and of justice; adapting and developing education systems with a focus on digitalisation and vocational training, regardless of age. The implementation of the recovery and resilience mechanism will be coordinated by a Task Force that will work closely with the Directorate-General for Economic and Financial Affairs. The Next Generation EU instrument is particularly important because it grants and lends to Member States the recovery of their economy both in the short and long term by achieving sustainable, inclusive, inclusive growth.

The European Economic and Social Committee agrees and will support the EU's "Next Generation EU" program and comes up with a series of proposals to ensure both the recovery and reconstruction of the EU in the wake of the COVID-19 pandemic crisis. The EESC considers that, in addition to "recovery and reconstruction", it is also necessary to rebuild the society in which we live by respecting sound principles: protecting and respecting human rights, democratic values, the establishment of the circular economy, achieving sustainable development goals by 2050. a special importance to the civil society represented by economic and social partners, organizations that will contribute to this process of return of the European society at social and economic level. Another aspect is that of health systems that need to be reconfigured and strengthened.

At present, it is not possible to assess the impact of the pandemic on the economy of the EU Member States, but it is certain that the current crisis is serious and deep and the recovery will be a long and difficult road with very high financial costs. The gravity of the crisis is also given by the moment of its establishment when the EU did not have economic stability, well-founded politics and was in the middle of the transition to the digital economy; some states have failed to recover from the previous economic crisis and are being hit again with more force from many quarters. The crisis will certainly be a test for the European Union, for its economy, for its values and for democracy. Compared to the previous economic crisis, we have now been caught in a total deadlock. Many production sectors were closed, many people were laid off and foreign trade fell sharply. These have very serious consequences for us from an economic, social and political point of view.

9. Conclusions

Given the current complex situation in the global economy and the rather bleak outlook, governments and policy makers must focus their efforts on finding solutions and resolving the health crisis in order to prevent short-term economic damage. In the long run, the governments of the countries must act with priority on the main economic factors, the economic levers through the elaboration of policies, innovative and competitive economic reforms, adapted to the situation of each country that will lead to the exit from the economic crisis.

The impact of this pandemic has various implications at the social, mental, global and economic levels.

The development of economic policies aimed at rebuilding the global economy in the short and long term aims to improve health services, develop and implement measures aimed at resuming the process of economic growth by supporting economic activity in the private sector, households, services and income generation by population by keeping jobs.

A sustained joint effort of coordination, cooperation to slow down, limit the spread of the COVID-19 pandemic is needed globally to protect the population and mitigate the negative effects on global economic activity. The sustained joint actions of international bodies will enable the proposed objectives in the field of public health to be achieved and the global economic recovery to be achieved.

As measures to be taken, the combination of economic and monetary policies through a quantitative wave of facilities to which is added a securities acquisition system that aims to support the financial market with liquidity under the umbrella of the European Central Bank. To these are added the macroeconomic stabilization provided by the ESM, fiscal measures aimed at temporarily applying flexible fiscal rules, granting state aid, mass pumping of money to companies affected by the pandemic, postponing the repayment of obligations and substantial redistribution of EU budget flows. .

Another measure applied to the others mentioned would be to let the economies work and not to create an emergency situation, not to close the borders of the countries. There is a need to improve the EU's financial system, which has not had the necessary mechanisms in place to maintain macroeconomic stability in the euro area and has not been able to cope with the current situation we face. Thus, important structural changes and reforms of the economic, social, global and European economic organization are required. It is necessary not only to restart the global economy to bring it back to the level before the pandemic crisis but also to make major changes in terms of quantity and quality. Identifying the strengths and weaknesses of existing systems can be a step forward and help to radically rebuild not only the development of new policies or the adjustment of existing ones, but also the development of new skills of all actors at European, global level according to the principle. susidiarităţii. The current situation has highlighted the existing vulnerabilities in the social protection system that have not allowed unemployment benefits to be given to those in difficulty through job loss, for example. In conclusion, major changes are required in most sectors of activity, at the economic, social, political level.

REFERENCES

1. *** Global Economic Prospects, Report, World Bank Group, 2020
2. De Grauwe, P. Thinking Critically, The ECB Must Finance COVID-19 Deficits, Project Syndicate, 2020
3. Draghi, M., Editorial publicat în Financial Times, 2020
4. Posta, P.D., Economics and Globalisation”, 2018
5. Saez, E.; Zucman, G. „Keeping business alive: the government will pay”, Social Europe, 2020.
6. Shang-Jin, W., „Beating COVID-19 and the Economic Pandemic”, Project Syndicate, 2020
7. Soros, G., ”The EU Should Issue Perpetual Bonds”, Project Syndicate,2020
8. *** https://cepr.org/sites/default/files/news/COVID-19.pdf
9. *** https://cepr.org/sites/default/files/news/COVID-19.pdf
10. *** https://ec.europa.eu/eurostat/web/covid-19/economy
11. *** https://fas.org/sgp/crs/row/R46270.pdf
12. *** https://fas.org/sgp/crs/row/R46270.pdf
13. *** https://hbr.org/2020/03/what-coronavirus-could-mean-for-the-global-economy
14. *** https://home.kpmg/xx/en/home/insights/2020/06/covid-19-and-the-global-economy.html

15. *** https://insse.ro/cms/en/covid-19-impactul-economic
16. *** https://openknowledge.worldbank.org/handle/10986/33555
17. *** https://ourworldindata.org/covid-health-economy
18. *** https://www.csis.org/analysis/global-economic-impacts-covid-19
19. *** https://www.eca.europa.eu/ro/Pages/NewsItem.aspx?nid=14288
20. *** https://www.researchgate.net/publication/340236487_Spillover_of_COVID19_impact_on_the_Global_Economy
21. *** https://www.worldbank.org/en/publication/global-economic-prospects#a