

Е К О Н О М І К А

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POLICY RESPONSE OF ASIAN ECONOMIES TO COVID-2019 PANDEMIC: CHINA, THE REPUBLIC OF KOREA, JAPAN

The countries of Northeast Asia were the first countries in the world, which faced the threat of the COVID-19 pandemic, the epicenter of which was the city of Wuhan in the Chinese province of Hubei. As of the end of March, the spread of the pandemic has been brought under control. Compared to other sub-regions in Asia and the Pacific, Northeast Asia was relatively well prepared for COVID-19 in terms of health systems, access to basic services and connectivity. The national response to COVID-19 was quick and varied. The governments have adopted numerous policies to contain the spread of the virus, as well as to address growing socio-economic challenges and mitigate the impact of the COVID-19 pandemic. To respond to the COVID-19 pandemic, the governments of China, the Republic of Korea and Japan have leveraged an existing memorandum of cooperation and a joint action plan to implement joint responses to pandemic influenza and new and re-emerging infectious diseases. However, the COVID-19 pandemic and the necessary containment measures have resulted in a sharp decline in economic activity, widespread loss of jobs and livelihoods and disruptions in the provision of basic services. In 2020, the countries in the region experienced a marked economic decline. After a significant drop in domestic demand and trade disruptions in the first half of 2020, the second half of 2020 was characterized by a gradual recovery in exports, there are currently signs of a recovery.

The aim of current research was to investigate the practices of the three Asian countries – China, the Republic of Korea and Japan – in supporting businesses and citizens who found themselves in a difficult life situation due to the coronavirus, in order to identify optimal examples of economic policy during pandemic.

The most effective measures to support the economy of China during the COVID-19 pandemic were food supply; control over the increase in the production; online services launched by the government. The most effective measures to support the economy of the Republic of Korea were: the Bank of Korea has cut its key rate to a record low benchmark; the Bank of Korea has provided the loans to the country's commercial banks; the country's government has allocated considerable funds to support South Korean SMEs; Korea Trade and Investment Promotion Agency has actively developed a global online trading platform; consumption taxes in case of car purchases have been reduced significantly to support the market; the enterprises with an annual turnover of less than Korean WON 60 million won have been provided with VAT exemptions. The most effective measures which have been taken by the government of Japan to were: there have been allocated USD 4.1 billion to support Japanese SMEs; there has been announced the development of a package of large-scale measures to support the country's economy; there have been introduced special conditions for lending to SMEs; the activities of the companies involved in the fight against the pandemic have been subsidized; there has been introduced a simplified license renewal procedure for import/export and tariff quota certificates; the Bank of Japan has doubled up to USD 112 billion the exchange-traded fund (ETF) buyback program; a payment has been provided for the citizens who cannot work; a consulting service has been organized to support SMEs; for SMEs which were forced to send part of their employees on vacation or training, the state would cover the costs of forced leave in the amount of 4/5 during 100 days.

Key words: *COVID-19 pandemic, China, Republic of Korea, Japan, policy response.*

Країни Північно-Східної Азії першими у світі зіткнулися із загрозою пандемії COVID-19, епіцентром якої стало місто Ухань у китайській провінції Хубей. Станом на кінець березня поширення пандемії взято під контроль. Порівняно з іншими субрегіонами Азіатсько-Тихоокеанського регіону Північно-Східна Азія була відносно добре підготовлена до COVID-19 з точки зору систем охорони здоров'я, доступу до основних послуг і можливостей зв'язку. Національна реакція на COVID-19 була швидкою і різноманітною. Уряди здійснили численні заходи щодо стримування поширення вірусу, а також щодо вирішення зростаючих соціально-економічних проблем і пом'якшення впливу пандемії COVID-19. Щоб відреагувати на пандемію COVID-19, уряди Китаю, Республіки Корея і Японії використали існуючий меморандум про співпрацю і спільний план дій для реалізації спільних заходів реагування на пандемію грипу і нові інфекційні захворювання. Однак пандемія COVID-19 і необхідні заходи стримування призвели до різкого зниження економічної активності, повсюдної втрати робочих місць і засобів до існування і перебоїв у наданні основних послуг. У 2020 р. в країнах регіону спостерігався помітний економічний спад. Після значного падіння внутрішнього попиту і перебоїв у торгівлі в першій половині 2020 р. друга половина 2020 р. характеризувалася поступовим відновленням експорту. Метою цього дослідження було вивчення практики трьох азіатських країн – Китаю, Республіки Корея і Японії – з підтримки підприємств і громадян, які опинилися в складній життєвій ситуації через коронавірус, з метою виявлення оптимальних і перспективних прикладів економічної політики в період пандемії.

Найефективнішими засобами підтримки економіки Китаю під час пандемії COVID-19 були постачання продуктів харчування; контроль за збільшенням виробництва; онлайн-сервіси, створені урядом. Найбільш ефективними заходами для підтримки економіки Республіки Корея були зниження Банком Кореї ключової ставки до рекордно низького рівня, надання позики комерційним банкам країни; підтримка МСП урядом країни; суттєве зниження податків на споживання у разі купівлі автомобілів підтримки ринку; звільнення від ПДВ підприємств, що мають річний оборот менше 60 млн вон. Найбільш ефективними заходами, які були вжиті урядом Японії, були: виділення 4,1 млрд дол. США на підтримку японських МСП; розробка пакета масштабних заходів для підтримки економіки країни; запровадження спеціальних умов кредитування МСП; субсидування діяльності компаній, які беруть участь у боротьбі з пандемією; запровадження спрощеної процедури поновлення ліцензії на сертифікати імпорту / експорту і тарифної квоти; подвоєння Банком Японії програми викупу біржових фондів (ETF) до 112 млрд дол. США; здійснення виплат громадянам, які не можуть працювати; створення консультативної служби для підтримки МСП; покриття урядом витрат МСП на вимушену відпустку або навчання частини працівників у розмірі 4/5 протягом 100 днів.

Ключові слова: пандемія COVID-19, Китай, Республіка Корея, Японія, відповідні заходи політики.

Problem statement. The COVID-19 pandemic has pushed a huge number of businesses around the world to the brink of survival. The governments of all the countries have been searching for optimal business support measures. There have been recorded same adverse economic trends worldwide, such as decrease in economic growth rates, decrease in production volumes, cut-backs in the service and tourism sector, stock market issues, bond income reduction, unemployment increase and other negative effects. Thus, it is essential to research policy responses of the countries to the pandemic in order to learn their experience.

Analysis of recent research studies. Altakarli [1], Liu and Saltman [2], Yu et al. [3], Li et al. [4] when researching the China's Response to the COVID-19 outbreak have found out that the country has experienced a high level response to the COVID-19 pandemic by the mean of high level collective action. According to the authors, other countries need to learn from China's response to COVID-19 and should introduce prevention and control strategies immediately as each one is at risk of becoming the new virus epicenter.

Analysis of the findings on the Republic of Korea COVID-19 policy response

has shown that the country has shown high adaptability and resilience during coronavirus pandemic [5–9]. According to the authors, the government of South Korea has demonstrated the ability to keep the disease under control, which offers new insights for public administration practitioners and scholars elsewhere. The country has avoided a large COVID-19 pandemic compared to other countries and has maintained the ability to keep case-based or cluster-based interventions. When early adoption of testing and contact tracing are vital factors for the country's successful outbreak control, rapid execution of localized sound social distancing measures in areas with high transmission, border control, and careful monitoring of high-risk contacts appeared to have substantially reduced transmission of the virus.

The findings on Japan experience in fighting with the pandemic show that the country has managed extraordinary quarantines and recognized the difficulty of controlling COVID-19, finally recording a relatively high number of deaths per million in the Western Pacific region [10]. However, the government measures were effective in supporting the SMEs [11–13].

In current research, we have considered the experience of China, the Republic of Korea and Japan in order to find out the efficiency of policy response to the pandemic in the Asian region, as initial center of COVID-19 spread.

The **aim** of current research is to investigate the practices of the three Asian countries – China, the Republic of Korea and Japan – in supporting businesses and citizens who found themselves in a difficult life situation due to the coronavirus, in order to identify optimal and promising examples for subsequent replication.

The main material of the research. Below we have considered the experience of China, the Republic of Korea and Japan in supporting their economies during COVID-19 pandemic.

COVID-19 pandemic measures in China

The countries of Northeast Asia were the first countries in the world, which faced the threat of the COVID-19 pandemic, the

epicenter of which was the city of Wuhan in the Chinese province of Hubei. As of the end of March, the spread of the pandemic has been brought under control.

The authorities' primary and critical response was the liquidity injection implemented by the Central Bank. On 3 February 2020, the People's Bank of China provided more than USD 170 billion of additional liquidity to the markets. This liquidity injection was China's largest open market operation during one day since 2004 when the People's Bank of China diminished reserve requirements for the banks, which freed up RMB 550 billion (USD 78.8 billion) to support the economy and approved tax cuts and loan payments. In order to address the adverse effects of the COVID-19 pandemic, the government of China has decreased taxes for the SMEs. The banks were temporarily obliged not to charge payments on the loans. It had been decided that the companies working online would be exempted from the value added tax. The new online platforms have been also supported by the government. From the social insurance fund, the enterprises have been compensated for salary payments during lockdown as well as insurance payments for unemployment. Stabilization loans have been issued for the enterprises, cooperation of large corporations with the SMEs has been encouraged. There have been also introduced the measures to digitize services: new technologies have been introduced as well as business practices (contactless delivery, automated trade) and new business models (the transition of services in the field of education, trade, entertainment, medicine to online functioning). More than 370 online courses have been organized for SMEs to keep the companies aware about the country's politics and access to managerial and technology skills.

The official interest rate set by the Central Bank for commercial lenders providing the loans to farms and agricultural firms, and other small businesses has been cut by a quarter percentage point up to 2.5%.

The most effective measures to support the economy of China during the COVID-19 pandemic were:

- food supply. The government has controlled both the stores and online grocery delivery, which prevented a sharp increase in prices;
- control over the increase in the production of a number of products, such as medical masks, essential products (to avoid panic);
- online services launched by the government. The government of China has noticeably expanded the number of online government platforms where the companies can establish relationships with the suppliers. If, for example, if in one region there were not enough components for production, then through these on-line platforms the companies could find them.

All the measures mentioned above have been effectively implemented due to the readiness of Chinese economy for such a situation, the availability of already created prototypes for online platforms, information about developed technologies, etc. [14–16].

The Republic of Korea to COVID-19 pandemic

In the first weeks of the spread of the pandemic, the Republic of Korea has become one of the main sources of the disease outside of China. The first case of coronavirus infection was detected there on 20 January 2020. By 29 February 2020, the incidence in the country reached a peak, 909 new cases were recorded per day, after which the daily increase in the number of cases slowed down. As in all other countries, coronavirus pandemic has negatively affected the South Korean economy, as there was a shutdown of the production in the country, the decrease in the imports from China, which led to a decline in the South Korean manufacturing sector dependent on Chinese suppliers. The tourism sector has also faced the crisis, by the end of 2020 the losses in the sector were about USD 5.2 billion. Air traveling has also suffered from the pandemic considerably as 181 countries of the world have introduced a ban or restriction on the entry of South Korean citizens.

The government of the Republic of Korea has introduced the following measures to provide economic support to the companies and the country's population during the pandemic:

- the Bank of Korea has cut its key rate to a record low of 0.75%;

- the Bank of Korea has provided the loans to the country's commercial banks in the amount of USD 12 billion in order to stabilize the South Korean foreign exchange market and address the liquidity shortage;

- the country's government has allocated USD 80 billion to support South Korean SMEs (maintaining jobs, lending, supporting the transfer of businesses to online functioning, sanitary measures to open SMEs which had been closed due to lockdown) and large companies (buying securities of the companies faced with a credit crisis);

- the government of the country has allocated USD 8.2 billion for lump-sum payments to 14 million lower-middle-income households to mitigate the impact of the pandemic.

The households and SMEs affected by the effects of the coronavirus outbreak have been exempted from health insurance and utility bills payments for a period of 3 months.

- Korea Trade and Investment Promotion Agency has actively developed a global online trading platform for the development of South Korean exports overseas. In response to the outbreak of the COVID-19 pandemic, the organization within the framework of the platform has provided a special support to the South Korean SMEs in finding business partners overseas.

- the lessors had been provided with a 50% tax credit if they agreed to reduce the rent for businesses affected by the COVID-19 pandemic;

- consumption taxes in case of car purchases have been reduced by 70% to support the market;

- the enterprises with an annual turnover of less than Korean WON 60 million won (about USD 45 thousand) have been provided with VAT exemptions [17–18].

COVID-19 pandemic measures in Japan

A collapse in the stock markets, a drop in trading volumes as well as the tourism sector, the destruction of global supply

chains, self-isolation of the population, the postponement of the Olympic Games – 2020 have negatively affected the country's economy. At the end of February 2020, 47% of Japanese firms recorded a decline in profits, while 42% of the companies faced a decline of more than 30%.

The following measures have been taken by the government of Japan to response the effects of COVID-19 pandemic:

- there have been allocated USD 4.1 billion to support Japanese SMEs, including the provision of interest-free loans, loan guarantees for SMEs affected by the pandemic, subsidies to move businesses to online regime;

- On 28 March 2020, there has been announced the development of a package of large-scale measures to support the country's economy during the COVID-19 pandemic, totaling more than USD 528 billion, which has included fiscal and monetary anti-crisis measures, including tax holidays for the companies, interest-free loans for SMEs payments to affected households and the companies;

- there have been introduced special conditions for lending to SMEs: for the first 3 years, the interest rate has been reduced by 0.9% (for those whose sales have fallen by more than 5%), as well as a special system of subsidized interest payments for those companies which have used a special lending (individual entrepreneur – without special conditions, small business – sales drop by more than 15%, medium business – sales drop by more than 20%). Postponement has been set for up to 5 years;

- the activities of the companies involved in the fight against the pandemic have been subsidized (for example, the production of medical face masks);

- there has been introduced a simplified license renewal procedure for import/export and tariff quota certificates, if their term was terminated due to the delays or other disruptions as a result of the coronavirus pandemic;

- as a stimulus in response to the coronavirus pandemic, the Bank of Japan has doubled up to USD 112 billion the exchange-traded fund (ETF) buyback program and

announced its intention to adjust the corporate bond buyback program, increasing the amount of the bonds by USD 18.5 billion until the end of September. The bank has also announced the introduction of a new interest-free corporate lending scheme;

- a payment has been provided for the citizens who cannot work, as they stay at home with their children;

- a consulting service has been organized to support SMEs. Since February 2020, the offices of a publicly funded organization have provided consulting assistance to SMEs;

- for SMEs which were forced to send part of their employees on vacation or training, the state would cover the costs of forced leave in the amount of 4/5 during 100 days [19].

Conclusions

Asian region has been hit hard by the first wave of COVID-19 pandemic when a sudden halt in economic activity hit populations and businesses at the same time. Facing with a COVID-19 pandemic crisis, the governments of all three Asian countries considered above – China, the Republic of Korea and Japan – have immediately taken a set of measures to increase the supply and maintain liquidity. SMEs have been exempted from taxes, the return of interest on loans has been postponed. Such a policy has greatly helped to suppress the protests in the most difficult period since the states have provided centralized medicine, supplies and financial support, which has greatly increased the level of trust in the authorities.

Policymakers have responded quickly, dramatically increasing the cost of supporting the medical response, as well as vulnerable communities and companies. Central banks have quickly expanded their liquidity provision. However, it should be noted that the successful overcoming of the adverse effects of the COVID-19 pandemic has been achieved by the considered countries due to high national level guarantees, as in these countries the state has taken the highest risk.

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