MONITORING OF RUSSIA'S ECONOMIC OUTLOOK:

TRENDS AND CHALLENGES OF SOCIO-ECONOMIC DEVELOPMENT

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1. REGIONAL RISKS IN THE NEW CRISIS FOR EMPLOYMENT AND REGIONS' BUDGETS

N. Zubarevich

Three previous crises in Russia were different, the crisis outbreak also has its sectoral and spatial features. Employment risks are the highest in the sectors of market related services (over 10 million employees). High risks in unemployment are immanent to federal cities and regions with multi-million-strong cities as well as fringe areas of the federal cities' urban agglomerations, and southern recreational areas. Analysis of the structure of the regions' budgets has demonstrated that by contrast with the previous crises the highest reduction of revenues can come from PIT returns and from total tax returns which are paid by small business. Measures aimed at supporting employment in the sectors of market related services should be provided at the federal level but their focus on support of SME will allow to aid the sector of market related services primarily in large cities. Regions' budgets potential to support employment and business are highly limited; a significant growth of the federal budget fiscal transfers is required taking on the back of spatial risks.

All crises in Russia had different spatial prospects due to features of each crisis. The new crisis outbreak in the midst of coronavirus pandemic and plummeting oil prices is not an exception and its features can be revealed. Let us review two types of risks that are very important for regions—surge of unemployment and plunge of revenues of the regions' consolidated budgets.

How the new crisis differs from the previous ones: spatial dimensions

Regional data that can be served as a characteristic feature of the initial stage of the crisis (March 2020) will be released only in May, however its risks to the employment and regions' budgets revenues are becoming obvious. These risks are much higher against the previous crises and have a different geography, which has also been different.

The financial crisis of 1998 destroyed many banks together with the ruble exchange rate, however its economic fallout was felt primarily by the Moscovites where payments in dollars were mostly widespread. The majority of the country did not notice it. The industrial recession commenced prior to this crisis (as of 7% for January-August 1998) and already in September it was replaced by growth in the vast majority of the regions. The unemployment rate according to WLO peaked not during the crisis but in the course of many years before and after it especially in the underdeveloped republics and depressed industrial regions which were slowly recovering from the recession.

The 2008-2009 crisis was an industrial one (recession by 11%) and most of all it affected metallurgical and machine building regions; precisely in those regions the industrial recession, unemployment growth and decline of tax proceeds from the profit tax were the most significant. The crisis was weathered out better by: a) oil producing regions due to short-term slide in prices on petroleum products although tax returns from the profit tax to their budgets contracted notably; b) Far-East regions reorganized the inefficient sectors already in the 1990s and the majority of regions' budgets were subsidized at a higher level; c) less-developed republics with underdeveloped industry with a very high budget subsidization and highly stable unemployment; d) federal cities without unemployment growth due to a receptive labor market, where white-collar workers could find alternative employment with a smaller salary and a lower status.

During that crises the federal budget provided maximum assistance to regions, fiscal transfers went up by around 30% and the level of subsidies in the RF subjects increased from 19 to 27%. For the labor markets key aid measures were boiled down to subventions increase from the federal budget aimed at payment of unemployment benefits up by 2.3-fold (from Rb 37 billion in 2008 to Rb 77 billion in 2009, and Rb 87 billion in 2010, and in subsequent years their amount was declining) as well as the public works program engulfing 2 million persons.

The late 2014–2016 crisis had other 'problem issues'—plunge of investments, consumption (retail), and 4-year decline of population's income. These indexes at the year-end results of 2019 were below the pre-crisis level: investments—by 3% to 2013, retail sales—by 9%, population's income—by 7% to 2014. Decline of income and consumption was across the board and investment dynamic was spatially differentiated. Most of all, investments decreased in industrial regions, growth continued mainly in Moscow and new regions of oil and gas production. Industrial recession was small and subsequent growth was differentiated: industry was growing faster in regions with specialization to MIC (military-industrial complex) (state defense order), food production, and new territories with oil and gas production. Regions did get additional fiscal transfers from the federal budget, simultaneously they had to allocate funds for the implementation of wage decrees which triggered budget deficits across the board (75–77 regions) and souring debt burden. The deficits issue was eased in 2018 (15 regions), but in 2019 already 36 regions reported deficit although mainly a small one. Regional and municipal debt issue was not resolved (totally Rb 2.4 trillion as of early 2010), although it somewhat decreased in 2018 and 2019. The key measure of aid for regions was significant growth of cheap budget credits originated in 2014–2017 which was accompanied by tough conditions on budgetary expenses optimization.

The crisis outbreak in March 2020 also differed from all previous ones:

1. Due to a lockdown and inevitable decline of population's income it most strongly affects the market related services sector, which is concentrated in the cities and especially in large ones (Moscow agglomeration, St. Petersburg, multi-million-strong cities and other regional centers, second largest regional cities). Risks of employment reduction in the industrial sector is hard to assess due to a different situation developed at large export-oriented companies and MIC and at much smaller sub-contracting enterprises. So far, automotive sector is the hardest hit in the industrial sector, but that sector over previous years has accumulated a large experience regarding underemployment in form of stoppages, furloughs, half-time week, etc., which they will opt for again in order to avoid surge in unemployment. Moreover, the government also accumulated experience for supporting large industrial enterprises in the course of the 2009 crisis, and in the event they will be able to avoid disruption of lines of production including due to irrational interregional barriers for goods flow, unemployment growth in the industrial sector can be non-critical;

2. Market related services sectors are labor intensive and often are represented by small and medium-sized businesses which have no liquidity 'cushion' and potential to pay wages to employees, taxes and rent amid not

income. The inevitable fallout will be a significant unemployment growth in large cities, which did not happen during previous crises. Slammer cities will face similar issues, but there the share of employed in the market related services is notably lower;

3. Obviously, population's income will fall, but it is impossible to assess regional risks. There is no clear picture given the population of large cities has accumulated large savings, but it is more debt-ridden. The self-employed and small businesses in the periphery (villages and middle-sized towns) boast of lower income, they often do not have savings, informal employment is more widespread and there the unemployment will grow at a faster pace. However, population on the periphery has some kind of survival on the 'land' (private plots of land) and at the expense of the relatives—pensions and public sector wages. This experience was used during all previous crises and allows to survive, although at the very low level of consumption;

4. Region's budgets will face a plunge in tax returns. A significant slide of returns from PIT (this tax is a key one in nearly all regions, except the heavily subsidized ones) due to a reduction of the employed count in the market oriented services. Reduction of returns from the profit tax (it is a key one in more developed regions) will be regionally differentiated. Returns from the total tax will see a plunge due to small businesses issues, but this tax is less important for the income of the consolidated regional budgets with rare exception. The plunge in the regional budgets revenues is impossible to offset without a wide scale assistance growth from the federal budget (fiscal transfers) and then from the regional budgets to municipalities, first of all to large cities.

The outbreak of the crisis will differ regarding the impact on the economy and territories, its main risks are rapid growth of unemployment and plunge of regional budgets revenues.

Unemployment risks in the regions

Assessment of unemployment risks was carried out on the data released by Rosstat regarding regional unemployment in sectors of the market-related services in 2018.[1] Total number and the proportion of employed in 3 types of market-related services: a) hotels and catering, b) real estate operations, c) non-food commerce wholesale and retail, auto repair shops. In estimates of employed in non-food commerce they used ratio of sales volume of food and non-food retail sales (roughly 50:50 according to the Rosstat data) that is why the share of employed in the non-food commerce was calculated as half of the total employment in this sphere. Totally these three spheres of activity accounted for 10.8 million persons in 2018. Together with those employed in transportation and storage the count comes to 15 million persons, however the activity in the sphere of transportation and storage does not pose such significant risks compared to other market-related services and that is why it was taken out of calculation.

In addition to 3 indicated types of activity, the area of maximum risks embraces those who are employed in tourism, sports, and entertainment. It is impossible to estimate their count given the regional data released by Rosstat is excessively generalized and does not permit to single out these types. They are included in the section "Other types of services" alongside with government administration and ensuring defense security, administrative, and scientific and

1 Rosstat. Regions of Russia in 2018.

technological activities, etc. According to professional federations the total employed count in tourism, sports, and entertainment constitutes no less than 2 million persons (3% of employed), but their regional distribution is not available in statistics.

Risks are very high for market-related services. Catering numbers 125,000 facilities, including 86,000—restaurants, cafes, and bars. The sector employs 1.2–1.3 million persons and over half of they are under layoffs. According to the president of the Federation of restaurant owners and hoteliers I. Bukharov, during the last week earnings restaurants and hotels' earnings decreased by 50–80%, and decline is accelerating, bankruptcies will be in two waves: 30–40% of companies can collapse before May 1, and in case of no support the share of bankruptcies can hit 70%.[1] According to the president of the Federation of fitness operators O. Kiseleva, the sector employs over 750,000 persons and up to 600,000 of them are under layoffs. The tourism sector employs around 250,000 persons, 80% of them can lose their job.[2] These types of services together with hotel business are in dire straits.

Calculations on 3 types of OKVED, which boast of the regional data (see above) demonstrated that the biggest number of employed are in the largest subjects of Russia (*Table 1*). All of them except epy Tyumen region are regions with multi-million-strong cities and the population of Tyumen nearly hits 800,000 persons. They are followed by regions with multi-million-strong cities (Krasnoyarsk krai, Voronezh and Volgograd regions—175–179 thousand persons). Under adverse development of the crisis situation precisely these cities will be the hardest hit regarding employment in the market related services. It is impossible to make a precise projection but taking into account the hardest hit types of market related services dynamic the total contraction can constitute up a third of employed.[3]

Table 1

Regions with the larges total number of employed in non-food commerce, hotels and catering, operations with real estate in 2018, thousand persons

RF	10757	Tyumen region	268
Moscow	1574	Republic of Tatarstan	263
Moscow region	603	Republic of Bashkortostan	253
St. Petersburg	561	Nizhny Novgorod region	252
Krasnodar krai	440	Chelyabinsk region	246
Sverdlovsk region	321	Samara region	237
Rostov region	313	Novosibirsk region	218

Source: own calculations on data released by Rosstat.

Apart from the absolute risks (number of employed who can become jobless) it is necessary to assess structural risks—the share of employed in three above mentioned spheres of the total number of employed (*Fig. 1*). The assessment results spatially expand the risk zone, it engulfs Moscow, Leningrad and Kaliningrad regions, Sebastopol and Republic of Crimea, Krasnodar and

1 The services warned about the critical situation due to coronavirus. Vedomosti, April 8, 2020.
2 The services warned about the critical situation due to coronavirus. Vedomosti, April 8,2020.
3 Own estimate.

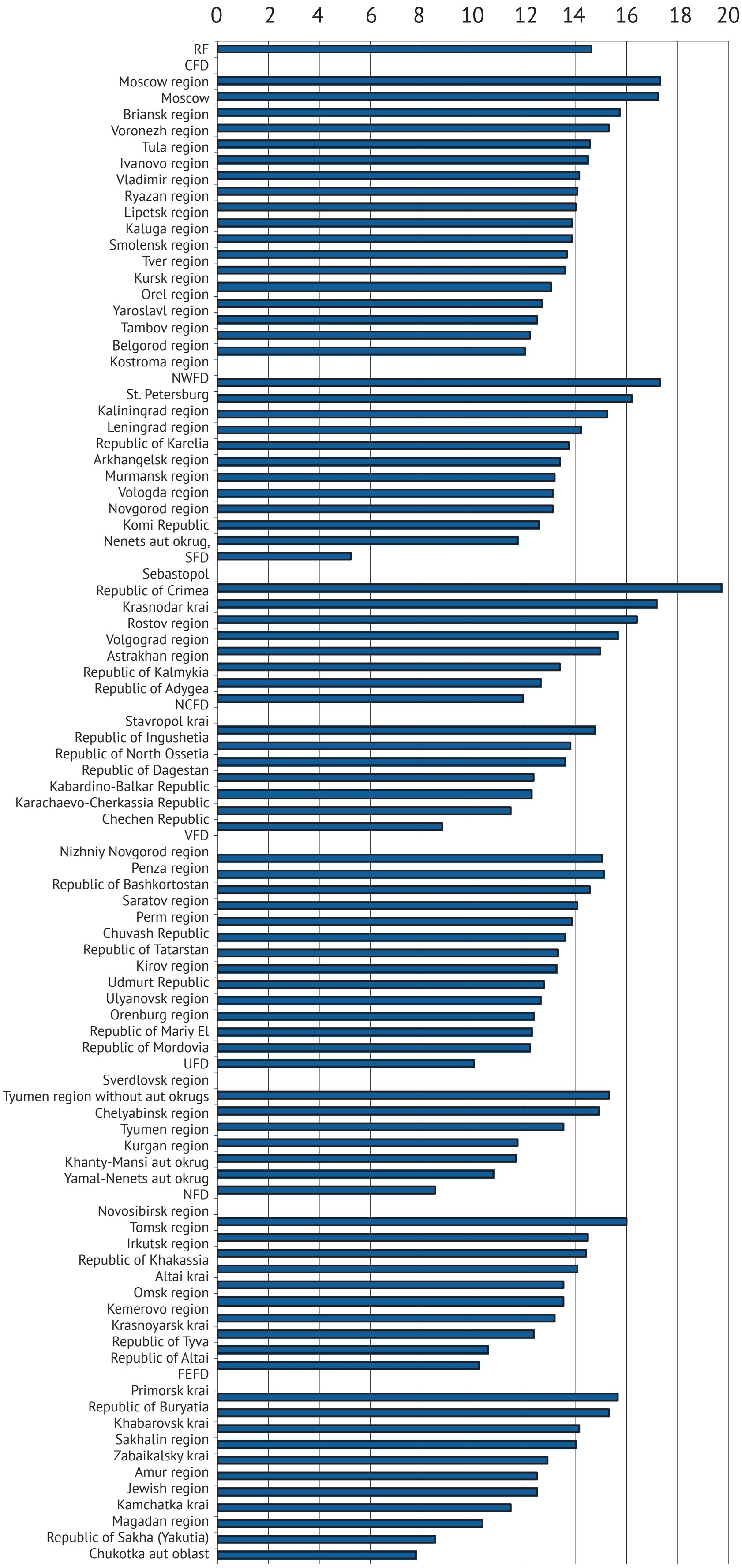

Fig. 1. The share of employed in the non-food commerce, hotels and catering, operations with real estate in 2018 г., in % to the total number of employed in the region

Source: Calculations on data released by Rosstat.

Primorsk krai. In a part of them (Crimea, Krasnodar krai, Moscow region, and partially—Leningrad region) risks of unemployment are spatially dispersed within regions and engulf either entire agglomeration of the federal cities or regional centers and the resort zones. Seasonal employment is customary for resort zones but the absence or heavy restrictions for the 2020 summer season due to the coronavirus outbreak will sharply reduce employment and will not put aside profits that will be used as a cushion throughout the year.

Except Moscow neither of the most struggling regions has enough financial resources to bolster market related services, decisions at the federal level are required.

Risks for regions' budgets

Data on the execution of the regions' consolidated budgets for March 2020 is unavailable yet, but the risks of the new crisis can be assessed on the analysis of the budgets' revenue structure in 2019 (*Fig. 2*). It is obvious that risks are the lowest for the highly subsidized regions that total 20. The amount of returns from PIT in their budgets is small (as its share in revenues) and the volume and share of income tax is minimal.

We can consider risks to the decline of returns to budget revenues from underlying taxes and non-tax proceeds (from rent) for the rest of the RF subjects.

PIT. During the 2009 crisis proceeds from this tax as a whole did not increase across regions, and in 33 regions primarily industrial ones contracted, which was due to heavy industrial recession, redundancies and part-time employment. During this crisis the most struggling sphere of economy are market related services which are labor intensive and unemployment risks are higher due to a slumping demand and insufficient state support. As a result, reduction of proceeds from PIT is highly likely to happen in all regions and will be more dramatic against the background of previous crises. Maximum exposure to risks can happen to large agglomerations and large urban regions with developed market related services sector, especially those regions where the share of PIT in budgets is at maximum: St. Petersburg (43%), Moscow (40%), Moscow, Sverdlovsk, Nizhniy Novgorod regions and Primorsky krai (34–35%). Minimum exposure to risks will be in oil and gas producing regions with less developed sector of market related services with small proportion of PIT share: Nenets autonomous okrug (11%), Sakhalin region (16%), reduced risks—Yamal-Nenets autonomous okrug (21%). Special case is the Tyumen region (16%) where market related services are developed but the budget revenue is by far higher depend on proceeds from the corporate income tax including from 2 autonomous okrugs.

Profit tax (PT). The 2009 recession was accompanied by a reduction of the tax proceeds by roughly 40%, the worst—in the industrial regions, especially in metallurgical and machine building (down by 50–85%) ones, significant losses were sustained by the federal cities (Moscow—down by 45%, St. Petersburg—down by 35%), however in the oil and gas producing regions the recession was weaker due to taxation features. During the 2015 crisis proceeds from the profit tax went up by 7%, however regional dynamic was very different, 30% of regions registered losses, small reduction was posted in St. Petersburg (1%) due to a decline in solvent demand and the retail sales volumes.

In the course of the unfolding crisis one can expect that the plunge of oil and gas prices will result in a strong decline of proceeds from the profit tax in the Sakhalin region, with great probability—in Tyumen region and its

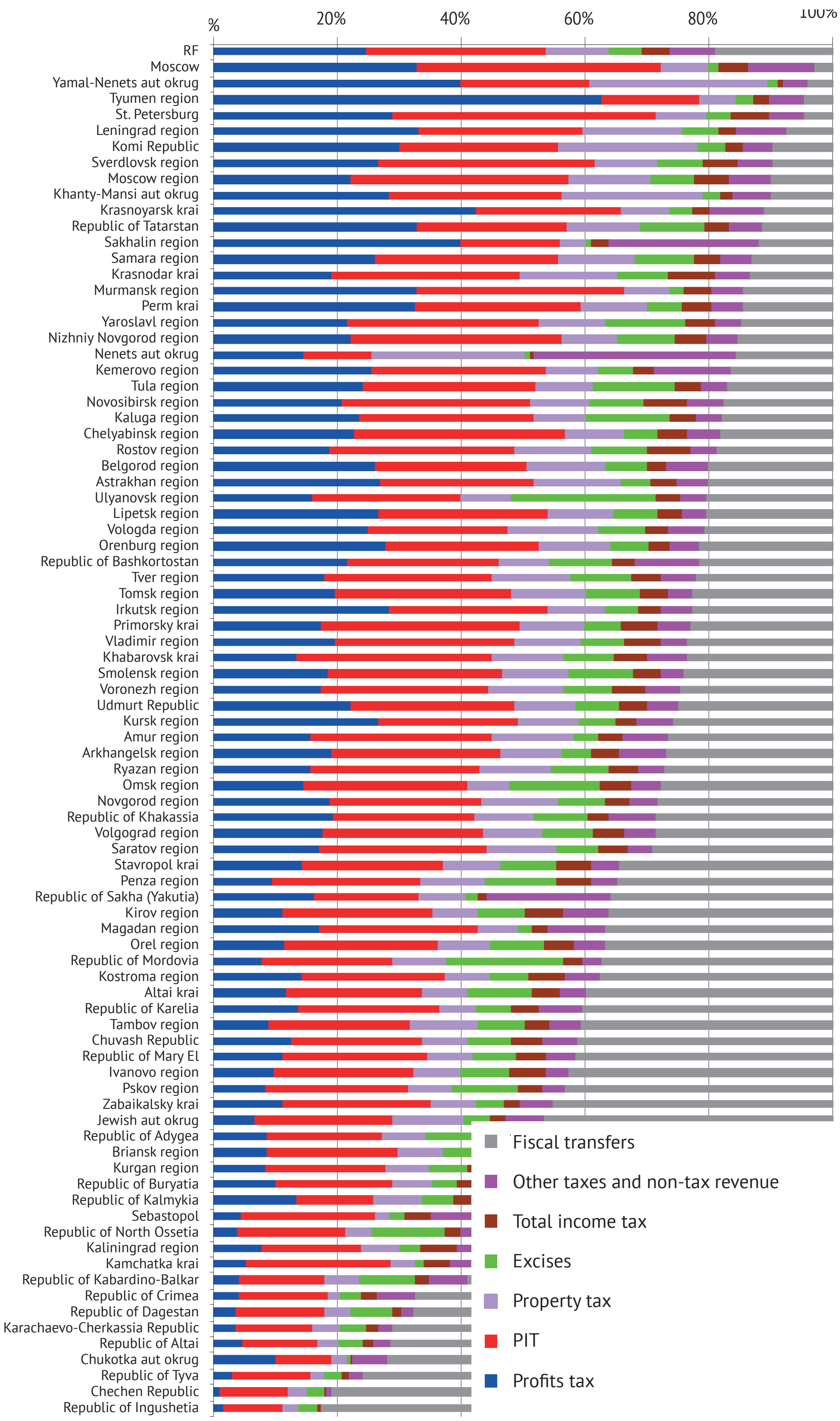

Fig. 2. Structure of revenue of the regions' consolidated budgets in 2019, %

Source: calculated on data released by the Federal treasury[1] [3].

1 Federal treasury. Execution of regions' consolidated budgets and extra-budgetary funds for January-December 2019.

autonomous okrugs, however the adverse effect will be revealed later (in 2021) due to the features of repayment of this tax. Moscow and St. Petersburg budgets will incur losses but it will be hard to estimate them. Major oil and gas producing companies and banks ensure the biggest proceeds from the profit tax to the budgets of the federal cities. Receipts from the profit tax in regions with other large companies are unlikely to plunge in 2020 if the crisis is short-term. Contribution of small and medium-sized businesses in the proceeds from the profit tax is significantly less than from large companies. The 2020 crisis it will plummet but to regions' budgets it will be less noticeable than proceeds from the profit tax from large business.

Total tax (small business). Small businesses pay this tax and obviously its receipts will decline, however its proportion in the regions' consolidated budgets is small (4.4%). During the 2009 crisis its proceeds decreased by 6%, however during all subsequent years they were growing and from 2014 they were growing by 8–16% annually. Decline in this tax proceeds is most sensitive for the regions with a significant share of this tax proceeds in the budget revenues: for semi-depressed regions (Vladimir, Kostroma, Ivanovo, and Kirov regions—6%), for southern, border regions and metropolitan areas with abundant small and medium-sized businesses (Krasnodar krai, Rostov, and Novosibirsk regions—7%, St. Petersburg, Stavropol krai, Primorsky krai, and Kaliningrad region—6%). Its proportion in the Moscow budget revenues is a little bit more than the average across regions (4.8%), that is why the capital authorities drag their heels in supporting small business in order to retain the tax base. All other regions with abundant small and medium-sized business have not money for its support.

Excises. On the one hand, the crisis must impact stringer excises on fuels and lubricants due to the decline of the fuel consumption on the back of the restriction for private automobiles and decline in the volume of passenger and cargo motor haulage. Gasoline consumption and the pump stations over recent two weeks has dropped by roughly 20–30%.[1] On the other hand, excises on fuel and lubricants are paid by the petroleum products producers who slowly react to the demand decline and then these excises are redistributed by the Finance Ministry of Russia among regions, which hampers assessment of impact on the budgets. The proportion of excises on fuel and lubricants in the regions' budgets revenues is relatively small (3%), but its share in several less developed regions is significant: Pskov region—over 10%, Orel and Smolensk regions—8%, Tver region—7%, Altai krai and Rostov region—over 6%. Interregional distribution of excises on fuel and lubricants was supporting these regions, but in 2020 proceeds from excises and potential for its redistribution will decline, the recession will have to be offset by fiscal transfers.

Property tax (PT). Its proportion in the regions' consolidated budgets is considerable (10%), meanwhile the regions budgets in 2019 already lost a part of returns (-3%) due to transfer to the federal level and then abolition of personal property tax. The main payer of the property tax is large business with great fixed assets and it will suffer less during the crisis than small and medium-sized business. The share of market related services in property tax payments is small against the payments made by the industrial enterprises except large shopping and recreational hubs and business centers. Temporary tax holidays on property tax returns for the hardest hit sectors of market related services are urgent and

1 Aleksandr Novak's interview to the radio station 'Echo Moscow' on April 2, 2020.

will not make a large 'hole' in the budgets of RF subjects especially if at the very least they are offset by fiscal transfers from the federal budget.

Property income (rent, etc.) Their share in the regions' revenues is small (3%) except several subjects. In case of Moscow income from rent is most important (7% of total income). In St. Petersburg property income is small (3% of the budget's income). In Bashkortostan, Yakutia, and Kemerovo region raised income (6–8%) is not due to rent payments but represent dividend from property ownership or rent payments for coal mining tracts. For all the regions except Moscow potential losses for SME from rent payments holidays are small but without at least partial compensation of losses in the form of additional fiscal transfers the regions are not ready to take such measures of support.

Analysis of the RF subjects' policy amid crisis demonstrates that the regions so far are passive in the implementation of crisis response measures and mainly limit themselves to stay-home orders. There are several reasons for that. Firstly, limited financial resources in the vast majority of RF subjects, imbalance of the budgets (36 regions ended 2019 with a budget deficit), high debt burden seen in more than half of the regions. Institutional factors are not of less importance—lack of redistribution of multiple subsidies from provided the federal budget to regions (including on the implementation of national projects).

Proposals on support of employment and budgets

The crisis outbreak will hit the hardest in two strands: on employment in the sector of market related services which concentrate upon in large cities and it is mainly small and medium sized business, on regions' budgets revenues (federal budget issues are not reviewed here). Cash-consuming decisions are required to ease the fallout. All developed countries have announced large scale aid packages to the population and business (up to 10% of GDP) which is yet not seen in Russia.

International experience on regionalization of support measures has been small. The EU development countries adopt nationwide general and very cash-consuming measures aimed at aiding business and population because they do not have so strong regional divide as it is in Russia. In the US the divergence among the states refers to lockdown restrictions rather than support scheme. Japan's experience is being accumulated only but mainly it refers to the population mobility restrictions in Tokyo.

From this perspective there are doubts regarding the need for the development of regional aid measures. Proposals provided in this publication on **support of employment** are nationwide however their influence is regionally differentiated and first of all is able to support employment in large cities of Russia. Mainly they are financial measures, their aim is to reduce the burden on small and medium-sized business in order to preserve workplaces and potential for its recovery after the crisis.

1. Minimal requirement measure—spike of unemployment benefits number issued for three months (April, May, and June) by simplified protocol (note on dismissal with non-working ween in late March) and fast track registration in employment agencies. Obviously, these benefits can be seized by 'bogus' unemployed (it is easier for the SME employees to get bogus dismissal certificates), however a tougher control should be introduced following the end of three months and for the period of lockdown and recession this is the real way of supporting the most vulnerable workers losing their income in market related services. Social benefits to unemployed are financed from the federal

budgets by issuing subventions to regions for the implementation of these powers, urgent allocation of significant additional funds is required for these purposes. In 2019, subventions totaled Rb 52.3 billion on the back of a very low unemployment rate. Adjusted for the increase of the benefit to the regional subsistence minimum (minimum monthly wage rate) announced at the onset of the 2020 crisis and projected growth of jobless many-fold—from 690 thousand in late 2019 (558 thousand persons loved on benefits) to several million by early summer (precise estimates are impossible to make yet), it is critical to include in the federal budget increased amount of subventions by no less than 3-fold and allocate them fast.

2. Alternative scenario—launch of a program similar to the German one Kurzarbeit, allocation of state subsidy to the tune of 2/3 of wages of employees of organizations and enterprises, as well as self-employed entrepreneurs under lockdown for the period of suspension of business activity. It is more cash-consuming for the budget. Weak control mechanisms of SME are a barrier (so that the money reaches the worker and is not spent on rent, loans, etc.). Given financial constraints a more stringent condition for the participation in the program is possible—decline of the aggregate income during the lockdown by more than 50%.

3. Lifting of restrictions on part-time employment (work stoppages, on resolution of administration, upon mutual agreement of the parties, etc.) to retain workers in the sector of market related services, but then risks of income loss are transferred to the workers and require the launch of the aid program which is very hard to administer in case of SME.

4. The state not only grants deferral on credits but takes over the responsibility to repay credits of SME during lockdown and during 2-3 months after is ends.

5. Declare lockdown a force-major for suffering sectors in all RF subjects and cancel accrued rents and payments for housing and community services for the lockdown period. Another scenario—the state could have committed to provide assurances to the property owners on the SVE rent payment after the recession recovery.

6. Adopted by the RF government deferral on insurance contributions payments, tax returns for small and medium-sized business (except VAT), on insurance contributions for microbusinesses, set moratorium on bankruptcy and exacting penalties as well as field checks should be set not for six months but at least for the remainder of 2020.

7. Cancelation of VAT accruals and payment for affected sectors for 2020.

Proposals on regions' **budgets support** can be divided into three parts.

1. Increase of aid from the federal budget first of all to regions that not highly subsidized. Without additional fiscal transfers they will not cope with the decline of budget revenues and to begin with receipts from PIT as the main tax as well as from total tax returns and a number of other taxes unique for certain regions. Increased transparency and sufficiency of the federal support is a hard task requiring adjustment for the scale of decrease of various types of revenues of regions' consolidated budgets and decisions taken without the pressure of powerful lobby groups.

2. Increase of transfers to large cities (their status—urban districts) from the regional budget and even better—revision of the federal legislation (return to municipalities of the original PIT deductions, 30% instead of 15%), which will at least partially finance tax holidays of SME in large cities, first of all in regional centers where the development of the services sector is the base factor for modernization of economy and labor market.

3. Not only Moscow needs deferral assistance with a huge budget even amid declining of revenues. Changes in priorities of capital authorities in favor of support of SME and the population rather than renovation and beautification can happen solely under the pressure from below from Moscovites and elected legislative deputies. There's no point in scaring with a million of jobless, it will not happen in the capital due to a deep labor market and alternatives for employment, however, the potential loss of the market related services will throw Moscow back by dozens of years. The advantage of large agglomerations lies in their tertiary sector, it fuels accelerated modernization and ensures competitiveness in the global economy.

2. LABOR MIGRATION IN RF AMID BORDER CLOSURE

Yu. Florinskaya

The RF authorities banned entrance to the country for all foreigners and stateless persons from March 18, 2020 till May 1, 2020. Nearly simultaneously the authorities of main contributing countries of immigrant workforce to Russia commenced closing their borders. That means that the vast majority of migrant workers who were planning their return home during the spring months will not be able to do it. At the same time, those who were to come to Russia to replace them and those who are seasonal workers in Russia during spring-summer time will not be able to come either. Precisely that period (including early autumn) according to yearlong monitoring accounts for the maximum number of arrivals of migrant workers in Russia. It is already obvious that the customary annual cycle of labor migration in Russia (decline in late autumn and winter and increase in spring-summer) will be significantly disrupted. In the context of the current economic development in Russia and problems engulfing the labor market this fact can be can to a certain extent be a blessing in disguise.

Analysis of the current situation. Comparison with the previous crises

As of April 1, 2020 Russia numbers 10.2 foreign citizens (tourists, migrant workers, arrivals on personal, educational and commercial purposes, etc.). That value a mere 1.3% (143 thousand) less than the arrivals rate as of March 1, 2020. Having said that, on average for the last three years this index as of early April exceeded that as of early March by 1-2%. Thus, if we assume that this trend had retained in 2020 then the decline of the number of foreigners relative to customary indexes does not exceed 3%. Furthermore, the number of arrivals with all purposes has declined except that 'hired labor', in other words migrant workers whose number increased slightly.

The number of migrant workers as of April 1, 2020 totaled 4.17 million (arrived to Russia for 'hired labor'), as of March 1, 2020 they numbered 4.11 million (*Table 1*).

Table 1

Number of arrivals for 'hired labor' to Russia as of date, million persons

	January 1	February 1	March 1	April 1
2020	3.90	4.01	4.11	4.17
2019	3.76	3.85	3.97	4.09

Sources: data released by MIA of Russia, Central database of foreign citizens count.

The excess of the number of migrant workers in Russia as of early April over that at the start of the year (January 1) 2019 cames to 8.7%, and in 2020—6.7%. The divergence is rather small so far. However, it is obvious that by May it will be growing because there will be no new inflow of seasonal worker on the back of the borders closure.

Partly that 'cut down' inflow will be offset by retention of those migrant workers whose timeline of stay in Russia was ending and they were getting ready to return home. In the current settings, on the one hand, they cannot do it due to closed borders, and on the other hand, part of them will prefer not to leave Russia after the borders are opened, especially if there is a chance to retain a job in such difficult economic times.

Therefore, if border closure is not extended into summer months we can expect a decline in the number of migrant workers, however it is unlikely to be profound if we view as a reason only temporary ban on travel between contributing countries and Russia. That aside, if we couple that with another factor of significant ruble's devaluation on the back of obvious contraction of demand for migrant workers in Russia, one can project a more noticeable contraction of that contingent in annual terms down to 10–15%.

To compare we will provide data on reduction of migrant workers inflow during previous crises, in 2008–2009 and 2014–2016. For example, in 2008–2009 the total number of migrant workers in the Russian federation decreased by 15–20%,[1] in 2015–2016 by around 10% on the whole, although regarding certain countries—main contributing countries of migrant workers to Russia—Tajikistan and Uzbekistan—from 10–15% to 30%.[2] Partially, during those years labor migration originating from Central Asia was offset by increased inflow from Ukraine due to events in the south-east of that country. Currently this sauce has been completely exhausted; labor migration from western CIS countries—Ukraine and Moldova—is being steadily decreasing in the course of the last four years.[3]

It should be noted that both crises have demonstrated not so much as a reduction of migrant workers as a correlation of their legal and informal employment on the labor market of Russia. For example, in 2020 compared to 2008 the number of legal migrant workers in Russia decreased by a third,[4] given that on the whole the number of migrant as was indicated above declined by 10–15%. The same picture was observed in 2015 when the number of issued authorization documents for migrant workers went down by nearly a half[5] on the back of declining migration across certain countries from 10 to 30%. Change in the ratio between legal and informal employment at the recovery stage from the crisis is due both to employers striving to weather out the crisis fallout by shady recruitment (not only foreign workers but the local ones as well) and also to not very successful policy in the sphere of labor migration regulation. The question is, for example, about a slide in quarters on work permits issuance seen in 2009–2010 or about a radical revision of the migration protocol due to rise in price of legal entry to the labor market against the background of falling economy seen in 2015–2016.[6]

In the wake of economic crisis, the first aspiration of the population of any country is to get rid of migrant workers who occupy potential work places needed by the local population. For example, according to survey conducted in 2009 on the back of the crisis roughly 50% of respondents in France, $^2/_3$ in the

1 Migration and demographic crisis in Russia / Edited by Zh.A. Zaionchkovskaya, E.V. Tyuryukanova. Moscow. MAKS Press. 2010. 112 p.; Olimova S. Work becomes absolutely inefficient // Russian migration. 2009. No. 5–6 (36–37). August-September. P. 36.

2 Florinskaya Yu., Mkrtchyan N. Migration in Russia in 2016 / Russian Economic Developments. 2016. Vol. 23. No. 12. P. 65–69.

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4 Population of Russia 2010–2011 / Publication editor: A. G. Vishnevsky. Moscow. NRU HSE Publishing house, 2013. Section 10. Immigration and emigration.

5 2014–2015 years: economic crisis—social assessment / Edited by T.M. Maleva. – Moscow. Delo Publishing house RANEPA, 2016. 112 p.

6 R.R. Khasanova, T.M. Maleva, N.V. Mkrtchyan, Yu.F. Florinskaya. Proactive demographic policy: 10 years after. Effects, instruments, new targets. Scientific papers, 19/1. Delo Publishing house RANEPA. Moscow, 2019. 57 p.

US and in Germany, over 70% in Spain, 80% in Great Britain and Italy believed that migrants had to leave their countries.[1] The same sentiments were observed in Russia. However, all attempts aimed at replacing migrant workers with the Russian ones failed miserably either in the 2008–2009 crisis or later—in 2014–2016. Russian employers openly declared that they with pleasure recruit Russian workers when the latter are ready to work according to qualification, however this does not allow them to indiscriminately reject migrant workers.[2]

Taking into consideration experience of the previous crises one would like to warn attempts aimed at tightening migration legislation which obviously will not result in the replacement of foreign migrant workers with the Russian ones but will significantly increase the informal employment component of migrant workers in Russia, which already amounts to no less than 30%. Licensed migrant workers are forced to pay monthly for patent, rent accommodation, for meals, and use of public transport are worth to an employer not much less than domestic migrant workers by whom they attempt to replace the former. On top of that, licensing a foreign migrant worker and moreover constant checks carried out by migration authorities make such worker less attractive versus a Russian citizen when it is really available.

In the near future roughly 25% of migrant workers can lose their jobs (partly already lost) who work in Russia in the services sector, employed by households, in hotels and restaurants. This is by around 10% more than the expected reduction of migrant workers inflow. By the end of the year the need in workers in the indicated sectors will partly recover and the demand on foreign workforce will correspond to supply.

Support measures for migrants in dire straits: implemented and possible

Legislative and information support

In the wake of pandemic and borders closure practically all European countries acted approximately the same way with respect to migrants—extended migration status and prolonged validity of visas,[3] that said the majority of them guaranteed access to medical services. For example, granted right for temporary stay including access to medical services and social safety net to all immigrants and persons seeking asylum including those whose applications were in processing. From March 16, France prolonged all types of residence permit for three months thus guarantying access to medical services and social safety net. Great Britain extended visas till May 31, 2020 for all those who could not leave in the wake of restrictions on trips after January 24, 2020 and stay on in the country. Having said that, Great Britain provides free access to medical services for all migrants despite their migration status in case of suspicion of coronavirus including testing and treatment even if the test is negative. Poland will extend all foreigners with work permits visas or temporary residence permit for another 30 days after the expiration of pandemic-induced emergency situation regime.

On the whole, at the end of March the EU Commission issued a list of recommendations for all member states where appealed not to punish foreigners

1 Tsapenko I. Global economic crisis and migrants' labor market // World economy and international relations. 2012. No. 4. April. P. 60.
2 Florinskaya Yu. Employers and foreign migrants on labor markets of large Russian cities: interaction in new conditions / Problems of forecasting. Moscow. 2018, No. 2. P. 144–154.
3 Information on the countries was obtained from the web site of the International Organization for Migration (URL: https://www.iom.int/covid19) and information web site on countries of Schengen agreement (URL: https://www.schengenvisainfo.com/).

from countries outside of EU who missed the chance to timely leave the EU territory in the wake of introduced restrictions and as soon as possible to extend residence permits in EU. There are other positive examples from non-European countries: for example, the Qatar government has actually placed on the same footing all migrant workers to its citizens and announced that migrant workers staying at home of getting treatment will be getting full salary.

Russia has acted in the similar way: on March 19 the web site of the Ministry of Internal Affairs released the procedure for extension of the temporary stay of foreign citizens on the RF territory amid current epidemiological situation.[1] Firstly, all those who entered Russia on a visa its validity will be extended (even when the visa is expired) regardless of the purpose of the visit. The term of stay will also be extended for all citizens arriving to Russia on visa-free region as well as all issued earlier temporary stay and residence permits will be extended (if they expired). Migrant workers can obtain new patents without leaving the RF territory and that said they will not be held administratively liable for failure to comply with the time limits for submission of corresponding applications. The Ministry of Internal Affairs (MIA) has also resumed issuing permissions for recruitment and hire of foreign workers and work permits for foreign citizens who already stay on the Russian territory.

However, all these measures can be implemented by migrants only in case of **personal** filing with the nearest territorial MIA office, in other words online filing of the application is ruled out which in the wake of the ongoing pandemic looks as an unwise measure. In the event of obtaining a patent migrants have to take even more actions: collect usual for obtaining patent set of documents, register officially/extend migration registration (in other words, bring a Russian citizen as a receiving party) and then travel to a migration center for obtaining a patent (risks of contamination rise manifold). All these actions can be replaced by online filing of applications on the web site of MIA in filing order.

It should be taken into account that the majority of migrant workers work in those regions where the number of coronavirus infections is very high. Moscow and Moscow region, St. Petersburg and Leningrad region as a whole account for 57% of migrant workers with work permits and patents (*Table 2*). Taking into account migrants from EAEU member states their share exceeds 60%. Precisely those regions report the major proportion of coronavirus infections.

Such concentration of migrant workers in the regions of pandemic hotspots in addition to transfer of all actions into online format also requires a widespread COVID guidance for them about the risk of contracting the virus and potential actions in case of disease symptoms. MIA has developed handouts on basic symptoms coronavirus and has even translated them into the main languages of the contributing countries of migrant workers. However, their upload with an open access on the web site of MIA is unlikely sufficient and notified distribution of handouts among migrant workers by policemen is totally unrealistic. A reasonable measure would be to text COVID guidance to migrant workers (their mobile phones migrants leave while obtaining patents and wiring remittances) regarding virus symptoms, providing a phone number which to use in case of symptoms onset and ultimately that their medical treatment will be **free of charge**. This is the key moment because otherwise migrants will visit a doctor solely as a last resort when the number of infected by them (taking into account features of the accommodation in compact home conditions) will be very high.

1 https://xn--b1aew.xn--p1ai/news/item/19812878

Table 2

Number of migrant workers having valid papers for work in RF as of March 1, 2020, thousand persons

Region	Work permits	Patents
Russia, total	107	1606
Moscow	25.1	420
Moscow region	5.7	235
St. Petersburg and Leningrad region	6.6	278

Source: data released by MIA of Russia, form 1-РД.

It is necessary to look into the possibility to relieve Immigration removal centers of all migrants waiting for deportation as a punishment for small failures to meet the time limit for staying in Russia. Their temporary residence permits in Russia could have been extended for 3 months and let them to legalize documents again by revoking the decision on deportation. These centers (for example, in Sakharovo near Moscow) at the moment are a hotspot for a fast spread of the virus.

Economic aid

As was already noted above, roughly 25% of migrant workers can find themselves in a stressful situation due to a job loss on the back of inability to go home. On the one hand, work should be carried out with the governments of contributing countries regarding the provision of charter flights for taking those who want to leave Russia. On the other hand, while such migrants remain on the RF territory and seek employment, they need 'tax holidays'—let them defer payment for patents for at least for 3 months (for example, monthly fee for a payment in 2020 in Moscow comes to Rb 5,350, in Moscow region—Rb 5,100, in St. Petersburg and Leningrad region—Rb 4,000). To date, a month of missed payment results in invalid patent and the migrant becomes a candidate for a ban to entry to Russia with inability to obtain a new patent.

In addition, many foreign students may need economic assistance (as of April 1, there were 430 thousand foreigners who entered Russia with the purpose of 'study') who lost support from their families and do not have a chance to earn on the side. Assistance to such students can be provided via universities where they study. To note, such assistance may also be needed for Russian non-resident students.

As of April 1, 2020, children of less than 17 years of age numbered 1.17 mn out of all foreigners staying in Russia. Possibly, families with children (of migrant workers and participants of the State program of fellow countrymen in the process of obtaining the status, etc.) are in the dire state, whereupon they are not eligible for assistance provided for Russian families. Assistance for the families of migrant workers is possible via specialized NGO. Already now, for example, in Moscow the 'Civic Assistance Committee'[1] through social networking websites collects funds attempting in the least to help refugee families and migrants by buying food products, pay for accommodation. Over three weeks they managed to collect Rb 320 thousand and help 50 families. However, according to the NGO representatives, there are over 100 families in line and this line is growing day

1 URL: https://refugee.ru/.

after day. The organization submitted an application for President's grant for this work but it takes a long time for reviewing an application and there is not time to wait. Such organizations exist in every large city where migrants work and to provide aid to badly off with children through such organizations is an absolutely realistic objective.

* * *

By early April 2020, the number of migrant workers arriving to the RF territory remained practically unchanged m-o-m. However, taking into account closure of borders and consequently lack of inflow of new seasonal migrant workers as well as the ruble's devaluation impact on the attractiveness of employment in Russia, we can expect a reduction of this contingent in annual terms down to 10–15%. Similar estimates in no small part rely on the conclusions made on the results obtained from two last economic crises in 2008–2010 and 2014–2016.

Additionally, the experience of the pasted crises highlights the fact that what comes about is not so much contraction of the number of migrant workers as a change in the ration between legal and informal employment in the Russian labor market. In this context, we would like to warn from managerial decisions leading to the next tightening of the migration legislation in Russia. They will not result in the replacement of foreign workers by the Russian ones but will significantly raise the informal component of employment of foreign migrant workers in Russia which to date totals no less than 30%.

In the near future, around 25% of migrant workers can lose their job (or partly have already lost it) in Russia who worker in the services sector, employed by households, work in restaurants and hotels. These migrant workers are unable to leave Russia due to borders closure that is why as a measure of support they can be offered 'tax holidays'—defer payment for patents for 3 months. Economic aid can be needed by 400 thousand students staying in Russia and who lost a chance to earn on the side as well as migrant families with children. Aid to students can be organized through the universities where they study and families with children through specialized NGOs helping migrants in the regions.

Russian MIA has taken absolutely correct decisions regarding extension of timelines for temporary residence of foreign citizens independently of their status. Precisely so acted all European countries engulfed by coronavirus pandemic regarding migrants. However, the drawback of such measures in Russia is unavailability of extension of current status and documents online—Russia requires personal attendance. Taking into account 'stay-at-home' orders taken in an effort to curb the spread of the virus this looks illogical. Better provision of COVID guidance for migrants regarding the symptoms of the virus are needed as well as on procedure of their appearance. Alongside this, the migrants should be further informed about a free of change medical treatment for everybody which will minimize attempts of self-cure without visiting a doctor.

3. TRANSFORMING GLOBAL VALUE CHAINS IN THE CONTEXT OF THE COVID-19 PANDEMIC

T. Flegontova, O. Ponomareva

Modern production and supply chains bring together various stages of value creation worldwide. Currently, due to development of digitalization, the increasing widespread and application of modern ICTs (robots, artificial intelligence, machine learning, big data, the Internet of things, etc.) value added chains (VAC) have evolved and continue to develop taking into account the possibilities of building new business models, however, focused as before, on reducing costs and maximizing profits. New technologies resulted in even greater fragmentation of the production process, motivated nowadays by proximity to the consumer at a particular stage of operations, the possibility to reduce transportation costs and a greater degree of "customization", one of the significant competitive advantages, rather than the price of production factors and their availability. Such concentration of the production process within the framework of the value-added-chain makes involved companies quite vulnerable to global shocks such as the pandemic of the new coronavirus COVID-19, on the one hand, and on the other hand, provide the opportunity to diversify their supply and sales processes.

Impact of COVID-19 pandemic

The global spread of coronavirus undermined the value chain operations, both due to businesses failure to remain effective, which is justified by risks to human life and health, and in connection with various measures taken by the states to combat the pandemic, such as closing borders, compliance with the rules of self-isolation and quarantine, followed by restrictions and reduction of human business activity around the world (restrictions on the number of employees/ temporary closure of enterprises, cancellation of business trips, negotiations, forums, fairs, etc.).

This leads to a crisis both on the supply (reduction of active labor force, investments, uncertainty, bankruptcy), and on the part of demand (limiting consumers activeness).

The fact that the coronavirus epidemic had a significant impact on production and services in China is of great importance for the value chain operations. China is a key player in global value chains. According to the IMF, China is a key supplier of intermediate goods to the global market. The share of intermediate value added from China is about 7% of the total world industrial production, and the largest bilateral indicators China vs Korea and China-Taipei are relevant for their economies in more than 10% in both cases.

UNCTAD assessed negative effects of reduction in Chinese exports of intermediate goods for the trade and production in other countries. According to estimates, a 2% decline in the export of Chinese intermediate goods will inflict the greatest damage to the EU countries ($15.5 billion), the United States ($5.7 billion), Japan ($5.2 billion), and the Republic of Korea ($3.8 billion dollars). Russia is also one of the 20 countries focused on China, most susceptible to the negative effects of the value chain disruption, with projected losses amounting to $149 million in the considered scenario.[1] However, in the light of the latest WTO forecasts on the dynamics of world trade, the global reduction in exports and imports in 2020 will reach double-digit values ranging from 13–32%, and, therefore, even greater negative effects should be expected. The spread of coronavirus infection around the world led to problems in the value chain operations, focused not only on Chinese production and exports, but also on Germany, the UK, Spain, Italy, the USA and other countries tackled by the most dramatic scenarios of COVID-19 expansion.

According to McKinsey estimates, businesses engaged in the production of computer, electronic, optical equipment and engineering industries, experience the most evident negative impact of COVID-19, since it is these industries that are most commonly focused on China, both in terms of demand (about 38% of global consumption), and supply (about a third of global exports and 28% of intermediate goods exports with regard to the industry).

Herewith, McKinsey noted that a large number of Chinese enterprises in these sectors are located precisely in the areas most affected by the spread of the coronavirus and, accordingly, subjected to the most stringent measures in order to contain it.[2] In addition, components in the mentioned production sectors are marked by the highest level of customized specification, making more challenging the pivot to suppliers from other regions.

Technology is also of great significance (process chain). Value chains are largely focused on China in such industries as mineral products, metal industry, textile manufacture, however, the impact of the abovementioned facts is not so evident.

Instability of interaction between enterprises in the Sony electronics segment due to the closure of production in China and Malaysia, as well as the UK plant, can be noted as an example of disruption in the operation of the supply chain due to the spread of COVID-19. Sony's main customers are smartphone manufacturers heavily relying on production capacity in China.

Another range of company concerns is associated with closure of national borders, resulted in restricted possibilities to invite engineers for developing and introducing new products at the industrial facilities in different countries.[3]

Another example: disruptions in the supply of equipment for solar energy (in particular, solar panels) in the Asia-Pacific region, primarily affecting the developing countries, dependent on supplies from China.[4]

Ultimately, China is a linchpin in the automotive production chain (elements, components, assembly operations). Therewith, Hubei Province, where production was suspended for a long time, is one of the four main facilities of the country's automotive industry.[5] The largest automotive consortiums, i.e. Nissan, Daimler, BMW, Honda, Toyota, GM, Renault, also close/suspend production around the world: in Asia, America, Europe.[6]

1 Global Trade Impact of the Coronavirus (COVID-19) Epidemic. URL: https://unctad.org/en/PublicationsLibrary/ditcinf2020d1.pdf.
2 COVID-19: Implications for business. URL: https://www.mckinsey.com/business-functions/risk/our-insights/covid-19-implications-for-business.
3 COVID-19: Sony Electronics' supply chain faces instability. URL: https://www.supplychaindigital.com/technology/covid-19-sony-electronics-supply-chain-faces-instability.
4 Covid-19 and dependence on China's PV supply chain. URL: https://www.pv-magazine.com/2020/03/30/covid-19-and-dependence-on-chinas-pv-supply-chain/.
5 COVID-19 impact on the automotive sector. URL: https://home.kpmg/xx/en/blogs/home/posts/2020/03/covid-19-impact-on-the-automotive-sector.html.
6 Impacts to Automotive Supply Chains from COVID-19. URL: https://www.globalsupplychainlawblog.com/automotive/impacts-to-automotive-supply-chains-from-covid-19/.

Standpoint and actions of international institutions in response to coronavirus pandemic

The rapid spread of the coronavirus epidemic around the world has forced many states to introduce restrictive measures to protect national interests, including trade. However, in the face of the objective need to contain and suppress the pandemic, international organizations, such as G7, G20, WTO, IMF, APEC, OECD, call for coordination of efforts and development of currently acceptable cooperation formats (*Table 1*).

Table 1

Standpoint and measures suggested by international institutions

WTO	WTO authorized trade restrictions aimed at protection of life and health of people, animals and plants. It is essential to improve transparency and cooperate under introduction of various restrictive measures. WTO official website launched an information portal notifying on trade measures taken by member countries within the scope of combatting the spread of coronavirus.[1]
G7	The G7 statement on COVID-19 is committed to coordinating the efforts of governments in various areas, including as it relates to value chains[2]: • measures at the borders; • mobilization of monetary and fiscal resources, financial co-operation with companies, in particular SMEs, ensuring financial stability; • handling of issues related to disruption of international supply chains.
G20	Ministers of finance and managers of the Central Bank of G20 outlined the goal to work out an Action Plan to Combat COVID-19[3] (the decision on the consolidation of actions in the fight against coronavirus was confirmed by Heads of states on March 26, 2020).[4] Ministers of trade outlined the need to stabilize the supply of medicines and trade of essential commodities, minimize the negative impact on developing and least developed countries, the most vulnerable groups of the population, and ensure that emergency measures in trade aimed to counteract COVID-19 are "targeted, proportional, transparent , temporary and consistent with the rules and regulations of the WTO."[5]
APEC	China's initiative to organize a webinar dedicated to stabilizing and optimizing supply chains to support trade and recovery of the economy during and after the COVID-19 pandemic. The goal is to share experience in terms of ensuring the business flexibility and sustainability involved in value chains, improving governance mechanisms, applying ICT for these purposes, and digitizing business processes.
OECD	Proposals for joint actions[6]: deferral of tax and other types of fees, temporary reduction of VAT rates, extended access to capital through loans and state guarantees, measures to support SMEs in the service and tourism sectors, joint actions of financial authorities and central banks.

Measures aimed at reduction of coronavirus pandemic negative impact

From a business point of view, it is crucial in the current environment to have access to valid information about both the supplier/consumer situation and government measures intended to resolve the coronavirus pandemic, to ap-

1 Global Trade Impact of the Coronavirus (COVID-19) Epidemic. URL: https://unctad.org/en/PublicationsLibrary/ditcinf2020d1.pdf.
2 COVID-19: Implications for business. URL: https://www.mckinsey.com/business-functions/risk/our-insights/covid-19-implications-for-business.
3 COVID-19: Sony Electronics' supply chain faces instability. URL: https://www.supplychaindigital.com/technology/covid-19-sony-electronics-supply-chain-faces-instability.
4 Covid-19 and dependence on China's PV supply chain. URL: https://www.pv-magazine.com/2020/03/30/covid-19-and-dependence-on-chinas-pv-supply-chain/.
5 G20 Trade and Investment. – URL: https://www.uscib.org/uscib-content/uploads/2020/04/G20_Statement_Trade-and-Investment-Ministers-Meeting_EN-300320.pdf.
6 COVID-19 impact on the automotive sector. URL: https://home.kpmg/xx/en/blogs/home/posts/2020/03/covid-19-impact-on-the-automotive-sector.html.

prove reliable logistics channels, ensure financial stability in connection with the risks of supply chains. The goal of the state is to help businesses in the affected areas. At the same time, in the context of global value chains, efforts taken at the national level alone may not be sufficient.

From this prospective, measures aimed at reducing the negative consequences of a pandemic can be divided into two key clusters:

Government policies

- Trade liberalization in order to maintain and stabilize or reconfigurate trade and investment flows and avoid excessive restrictive measures (given objective requirements to protect the safety of human life and health).

  In the face of an impending crisis, the risks of applying protectionist measures and imposing trade restrictions at country level are also growing. Thus, for instance, according to Global Trade Alert, about 70 countries have already imposed restrictions on the export of medical supplies in 2020.[1] However, at the same time, precisely the opposite measures aimed at the liberalization of trade can help to stabilize the value chains, provide adequate conditions for production and shaping of consumer demand. Coordinated measures taken by the states in this field can help ensure the smooth functioning of the production chain at all stages.
- A similar initiative has already been announced at the key international platforms. In particular, Heads of the WTO, FAO and WHO issued a joint statement calling on governments to minimize the impact of restrictions related to COVID-19 on food trade.[2]

  Expanding the use of ICT, development of digital economy (providing technological and infrastructural capacity for implementing distant formats of interaction, switching traditional business processes to a digital format, expanding the use of ICT at various stages of value chains, as well as assisting SMEs in this sector).
- Trade in both services and goods, as well as other areas of economic interaction between agents, can be switched to the online format either partially or completely. Nevertheless, to ensure these processes, it is critical to have both physical and institutional infrastructure, in particular, the availability and access to Internet, the feasibility to make electronic payments and transactions (including cross-border transactions), ensuring security and trust on the Internet.

  Furthermore, digital literacy among the entire population plays an even greater role. In fact, the solution of the above issues at the state level will allow producers, suppliers of goods and services and consumers to adapt to forced restrictions in a pandemic.
- Sharing information to ensure that both governments and business communities have access to reliable information about the current COVID-19 situation in different countries and attempted measures.

  A number of resources are already in place to systemize relevant information on the introduction of new trade policies aimed at combating

1 Impacts to Automotive Supply Chains from COVID-19. URL: https://www.globalsupplychainlawblog.com/automotive/impacts-to-automotive-supply-chains-from-covid-19/.
2 COVID-19 and world trade. URL: https://www.wto.org/english/tratop_e/covid19_e/covid19_e.htm.

pandemic. In particular, EEC[1], WTO[2] have launched constantly updated databases.

- Sharing experience and best practices on various pro-business measures to increase resilience to value chain crises, such as the negative effects of COVID-19.

As for the latter direction, the leaders of the countries worldwide have already taken a whole range of measures to support the resilience of the value chain in the field of fiscal and monetary policies and specific social insurance programs. The range of measures used by the countries worldwide, as well as the proposals submitted by representatives of international business and academic community, are aimed at:

- Improving the reliability of supply chains
- Ensuring the financial sustainability of businesses
- Maintaining employment and stable labor pay.

Measures taken by various business communities

As mentioned above, the negative effects of the pandemic influence the global value chains both in terms of demand and supply shocks. In order to reduce the risks to the established production and supply chain, businesses review decision-making strategies. In addition to the traditional factors affecting the supply chain (cost, quality, speed of implementation), enterprises consider it necessary to take into account the so-called 3R[3]: resilience, responsiveness and reconfigurability.

Taking into account 3R factors, business seek to ensure the following goals under pandemic:

- diversification of suppliers. Thus, Tesla and CATL announced their strategic partnership within production of Tesla Model-3 in China, thereby refusing exclusive deliveries of Panasonic[4];
- diversification of sales markets. Similar measures have already been taken by representatives of the pharmaceutical industry, manufacturers of medical devices, companies producing and supplying agricultural products and foodstuffs;
- ways for production diversification. For example, Ford, GM, and FCA suspended some of their traditional operations and refocused to medical products to combat COVID-19.[5]

Moreover, the nature of establishing production processes and the recent trends in changes of value chains can alone provide greater stability for businesses in global markets. Among these trends, the following should be noted:

- Robotics of production. According to experts, these trends have most affected and will affect industries that largely depend on global value chains, i.e. automotive industry, textile production, and electronics, to even greater extent.[6]

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1 G7 leaders' Statement on COVID-19. URL: https://www.consilium.europa.eu/en/press/press-releases/2020/03/16/g7-leaders-statement-on-covid-19/.
2 G7 leaders' Statement on COVID-19. URL: https://www.consilium.europa.eu/en/press/press-releases/2020/03/16/g7-leaders-statement-on-covid-19/.
3 Resilience, responsiveness, and reconfigurability.
4 G20 Virtual Summit. URL: https://g20.org/en/media/Pages/pressroom.aspx?fbclid=IwAR0F5tz8NsiR-iBty_BGFPlYsVgxzVyFlurmwwIU_umjrM1FvwX9gOA77d0.
5 G20 Trade and Investment. URL: https://www.uscib.org/uscib-content/uploads/2020/04/G20_Statement_Trade-and-Investment-Ministers-Meeting_EN-300320.pdf.
6 Tackling coronavirus (COVID 19): contributing to a global effort. URL: http://www.oecd.org/coronavirus/en/.

- Reshoring and focusing on proximity to sales markets rather than on low prices of production factors when deciding on the transfer of production capacities.

According to the McKinsey report,[1] new technologies should lead to significant automation of production, which, basically, will save the company from the need to transfer production to countries with cheap labor. In connection with these changes, the reverse transfer of production to developed countries and the concentration of the entire automated production cycle in one territory is likely to happen.

At the same time, these changes can lead to a situation that manufacturers will deploy their production facilities close to sales markets aimed to reduce trade, and especially transport costs. In the future, these trends can lead to a geographical redistribution of value chains and concentration of the entire production cycle in a particular country, while trade of intermediate goods may decrease, and trade of technologies, equipment and services related to production, increase.

Such changes in the value chains can enable companies to diversify production processes in critical situations, deploying all their capacities in several countries, based on the logic of low cost factors of production, rather than in a single country, depending on the availability and demand level. In the context similar to the current coronavirus pandemic, this strategy will allow to reduce risks both in terms of the inconsistency of supply of parts and components, and possible instability of demand in the markets of different partner countries.

- Fragmentation of production within the framework of the so-called "third unbundling[2]" implying the chain precise split-up not only into production stages, but also into separate tasks, many of which are implemented through outsourcing and, possibly, from other countries due to the emergence and development of digital technologies.

This trend is already widely applicable in terms of trade of services, statistically confirmed: trade of services under the first delivery method (cross-border supply) amounted to about 30% of the total volume of world trade of services in 2019 (a higher indicator is typical only for the third method of delivery with commercial presence of 55%).[3]

When businesses shape their strategy in order to ensure the resilience of value chains amid pandemic, they increasingly prefer this format of cooperation with service providers at the intermediate stages of the chain.

* * *

The spread of the coronavirus pandemic undermined the value chains operations, both due to the inability of businesses to continue their activities, which is justified by risks to human life and health and in connection with measures taken by various states intended to combat the pandemic. The current situation can lead to a value chain crisis both on the supply (reduction in active labor, in-

1 Tackling COVID-19 together: the trade policy dimension. URL: https://www.globaltradealert.org/.
2 Agency chiefs issue joint call to keep food trade flowing in response to COVID-19. URL: https://www.wto.org/english/news_e/news20_e/igo_26mar20_e.htm?fbclid=IwAR0jgLQ3mWZKq5e52voYlFlsSHycr3eBo4uPISosTkURaf0zhP6J_tNMYSI.
3 Monitoring of measures aimed to overcome negative consequences of coronavirus infection (COVID -2019) adopted by EAEC member states. URL: http://www.eurasiancommission.org/ru/Documents/%D0%9C%D0%9E%D0%9D%D0%98%D0%A2%D0%9E%D0%A0%D0%98%D0%9D%D0%93%20%D0%BD%D0%B0%2027.03.pdf?fbclid=IwAR2FPWrBsC9aga1_CNUxf5V2E1rKuAcf_OhIfFwHP-RCo23JKK0H9DEoB5k.

vestment, uncertainty, bankruptcy), and on the demand (restriction of consumer activity).

In the current conditions, measures aimed at reducing the negative consequences of pandemic, should be fulfilled at all levels: both supranational and governmental and business.

In addition to direct, targeted support for people and businesses affected by the pandemic, it is advisable to provide for the following measures in order to reduce the negative consequences for the value chain:

- trade liberalization in order to maintain and stabilize or reconfigurate trade and investment flows and avoid excessive restrictive measures (given objective requirements to protect the safety of human life and health);
- expanding the use of ICT, development of digital economy (providing technological and infrastructural capacity for implementing remote formats of interaction, converting traditional business processes into a digital format, expanding the use of ICT at various stages of value chains, as well as assisting SMEs in this sector).

Sharing information on effective practices fight against the impact of pandemic to ensure that both governments and business communities have access to reliable information about the current COVID-19 situation in different countries and attempted measures.

The abovementioned measures will be more effective, provided that coordination of actions between the states is being maintained at key international platforms. As for business strategies, the very nature of changes of the modern value chains can assist to minimize the negative impact for businesses owing to the expansion of practices aimed at diversification of suppliers, sales markets and operating processes. These measures can be implemented by broad mainstreaming of modern digital technologies enabling to realize a considerable amount of work distantly, using robotics of production, reshoring and transfer of fully-integrated production closer to sales markets and reducing dependency on suppliers at different stages of value chain.

4. CURRENT STATE AND PROSPECTS FOR THE WORLD OIL MARKET

Yu. Bobylev, A. Kaukin, E. Miller

Despite the adherence to the commitments according to the OPEC+ deal on the joint efforts to cut production, during Russia's three-year participation in the deal as a whole the annual crude oil production in the country increased by 2.4% on the back of stabilized world crude oil prices. Collapse of the OPEC+ deal has created risks for the outbreak of the price wars, which threaten the private Russian companies with losses being unable to ramp up production without opening new projects. The renewal of the deal meant that Russia could avoid a feasible imposition of duties by the US and Canada, attacks on customary market outlets by Saudi Arabia; overloading of storage capacities.

History of the OPEC+ deal on cutting crude oil production

Growth of the shale oil production in the US commenced in 2012 and policy of retention of their market share conducted by the OPEC countries by way of ramping up supplies in an effort to offset revenue contraction as well as gradual increase of energy efficiency and decline of petroleum products consumption by various countries have caused an imbalance between the demand and supply on the global oil market. Subsequently, the price of Russian Urals crude oil dropped from $107.1 per barrel in H1 2014 to $41.9 per barrel in 2016 (*Fig. 1*).

In order to ensure the demand and supply balance on the world oil market on December 10, 2016, OPEC[1] and a group of oil producing countries from outside OPEC,[2] including Russia, concluded a production cut agreement in effect since January 1, 2017. In compliance with the deal the OPEC countries agreed to slash their oil production by 1.2 mn bpd, and 11 non-OPEC countries agreed to cut crude oil production by 558,000 bpd, including Russia by 300,000 bpd. The deal was prolonged several times down to March 31, 2020[3] in an effort to further reduction of excessive crude oil supply.

Implementation of OPEC+ agreements with simultaneous increase of the global oil prices has triggered a notable rise of global oil prices and their stabilization in the range of $60-70 per barrel: in 2018, prices on Russian crude oil

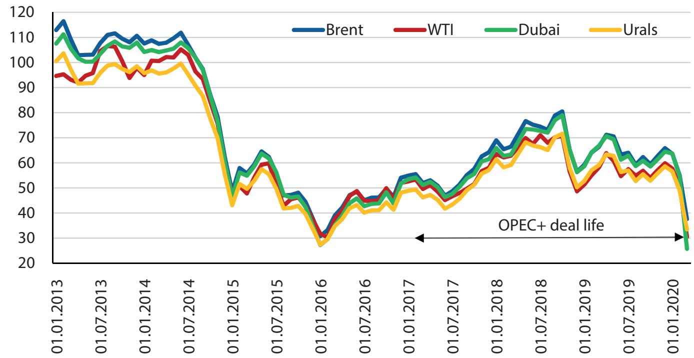


Fig. 1. Dynamics of monthly average crude oil prices from January 2013 through 2020, USD per barrel

Source: FRED.

1 Saudi Arabia, Iran, Iraq, Qatar, Nigeria, Algiers, Ecuador, Livia, Gabon, and Venezuela.
2 Russia, Mexico, Azerbaijan, Brunei-Darussalam, Equatorial Guinea, Bahrain, Malaysia, Oman, Sudan, South Sudan.
3 Bobylev Yu.N. The Oil sector: main trends 2018-2019 // Russian Economic Developments. 2019. Vol. 26. No. 3. P. 13–17.

averaged $69.8 per barrel on the world market, and in 2018 — $63.7 per barrel. In 2019 compared to the previous year the price of Russian crude oil dropped by 8.7%. Having said that, in H2 price slid to $61–62 per barrel, and in certain months it declined still further (for example, in October 2019 it came to $58.5 per barrel).

The reason for a decline was the global oil demand drop and ramp up of oil production in countries outside of the deal, first of all in the US (*Table 1*). Thanks to upgraded technologies and cost reduction the US oil industry has adapted to lower oil prices emerged after the price crisis. For example, in 2015 profitability of the crude oil extraction ranged $65–85 at the average oil price of $53 per barrel and in 2019 this score dropped to $40–50 at the oil price of $65 per barrel.

It should be noted that Russia's participation in OPEC+ agreements had a rather limited impact on the oil extraction in the country: in 2017 compared to 2016 annual oil production in Russia decreased by 0.15%, and in 2018 and 2019—went up by 1.7% and 0.9%, respectively. On the back of the 2017 situation, one should note two aspects. Firstly, the OPEC+ countries took production level of October 2016 as a benchmark for the oil production cut. In Russia in the course of 2016 the oil production was growing and in October stood at maximum (above the average level of 2016). Secondly, by virtue of technological and climatic features Russia was reducing production gradually in the course of several months. Consequently, the annual production in 2017 against 2016 declined insignificantly.

In 2018, Russia jumped at the opened within the deal opportunity to raise production in H2. Consequently, the annual production increased. In 2019, the annual production growth was triggered both by a relatively high benchmark level against the production level of October 2018 and the relatively slow production cut due to technological and climatic factors. Despite the formal adherence to the commitments to the OPEC+ deal on the joint efforts to cut production, Russia's three-year participation in the deal (2017–2019) as a whole the annual crude oil output in the country increased by 2.4% while the world crude oil prices have been stabilized.

In view of this, the agreement can be considered successful, including for Russia, because it: allowed to reduce risks of price crises; maintained world oil prices at a certain level, increased oil production levels.

Table 1

Crude oil output in the USA and OPEC countries in 2016–2019, mn bpd

	2016	2017	2018	2019 I кв.	2019 II кв.	2019 III кв.	2019 IV кв.	2019
USA	8.83	9.35	10.96	11.81	12.10	12.23	12.82	12.24
OPEC countries, total	32.68	32.68	31.96	30.47	30.00	29.20	29.48	29.78
Saudi Arabia	10.42	10.09	10.38	10.00	9.92	9.38	9.83	9.78
Iraq	4.43	4.44	4.60	4.75	4.70	4.70	4.65	4.70
Iran	3.57	3.82	3.52	2.63	2.33	2.10	2.03	2.27
Venezuela	2.18	1.92	1.43	1.05	0.79	0.73	0.68	0.81
Russia	11.3	11.4	11.5	11.7	11.5	11.6	11.6	11.6

Source: US EIA.

4. Current state and prospects for the world oil market

At the 178th Extraordinary Meeting if PEC JMMC[1] was noted that the COVID-19 outbreak has had a major negative impact on global economic and oil demand forecasts in 2020, particularly for the Q1 and Q2. Global oil demand growth in 2020 is not projected to be 0.48 mn bpd, down from 1.1 mn bpd in December 2019. Moreover, the unprecedented situation, and the ever-shifting market dynamics, means risks are skewed to the downside. Accordingly, to recommend to the 8th OPEC+ member states Ministerial Meeting to extend the adjustment levels agreed for the remainder of the year. It was also agreed to recommend a further adjustment of 1.5 mn bpd until June 30, 2020 to be applied pro-rata between OPEC (1 mn bpd) and non OPEC producing countries (0.5 mn bpd).[2]

Agreement on the prolongation of the deal was not concluded, which means that from April 1, 2020 OPEC+ agreement on the oil production cut will not be effective. Russia will continue cooperating with the cartel in the charter framework but all commitments to the production cuts with OPEC and NON-OPEC countries will terminate. Russia will ramp up its oil production depending only on the oil companies plans. In-depth analysis of pros and cons for the stakeholders of the global oil market is given below.

Price projections on crude oil

Current situation engulfing the global oil market has triggered a revision of projections regarding the oil price dynamics. According to the projection released by the Federal Statistics Agency of the Energy Information Administration, the average price on Brent crude oil in 2020 stood at $43 per barrel. EIA expects that in Q2 2020 prices will average $37 per barrel and in H2 they will grow to $42 per barrel. In 2021, prices on Brent crude oil will grow on average to $55 per barrel because reduction of the global crude inventory will boost the price growth. International rating agency S&P downgraded its forecast on average prices on Brent crude in 2020 to $40 per barrel,[3] Fitch is projecting close values at $41 per barrel.[4] Bank of America projects the price on Brent crude to drop to $37 per barrel, and in 2020 to come to $45 per barrel. The ministry of Energy of Russia projects a return of prices to the range of $40–45 per barrel in 2020, and $45–50 per barrel in 2021[5] (*Fig. 2*).

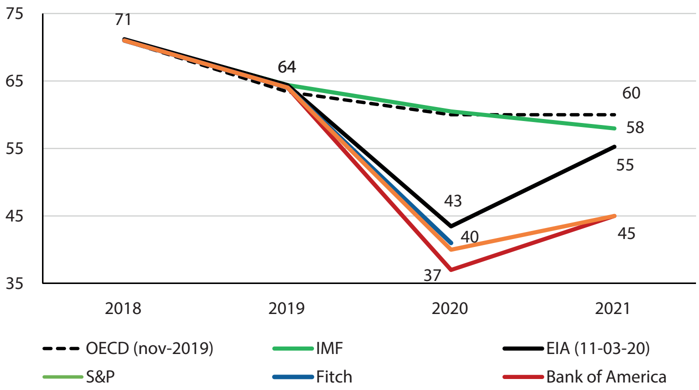


Fig. 2. Projection on oil prices till 2024, USD per barrel

Sources: OECD, IMF, EIA, S&P, Fitch, Bank of America.

1 JMMC – the Joint Ministerial Monitoring Committee. The Committee is supported by the Joint Technical Committee (JTC) and the OPEC secretariat.
2 OPEC 178th (Extraordinary) Meeting of the Conference concludes // OPEC. Press Releases 2020. 05.03.2020. [https://www.opec.org/opec_web/en/press_room/5865.htm]
3 OPEC slashes 2020 global oil demand forecast, but still sees slight growth // S&P Global. 11.03.2020. [https://www.spglobal.com/platts/en/market-insights/latest-news/natural-gas/031120-opec-slashes-2020-global-oil-demand-forecast-but-still-sees-slight-growth]
4 Paraskova T. Major Credit Agency Slashes Oil Price Outlook To Reflect A Record Glut // Breaking News. 19.03.2020. [https://oilprice.com/Latest-Energy-News/World-News/Major-Credit-Agency-Slashes-Oil-Price-Outlook-To-Reflect-A-Record-Glut.html]
5 Energy Ministry announced timeframe for the recovery of the oil prices // RBC. 11.03.2020. [https://www.rbc.ru/business/11/03/2020/5e693ca79a794738bede00e1]

Comparison of projections made prior to the events of early 2020 (*Fig. 2*) provides OECD and IMF projections) with an updated one allows us to say that the oil price following a serious slide in 2020 can again return to the projected previously level of $55–60 per barrel or recover only to the level around $45 per barrel—actually the gap is due to the predictions of the projection' authors about a permanent or temporary character of market fluctuations.

Furthermore, one should treat any projections of oil prices with caution before the final victory over coronavirus pandemic and estimates of the economic fallout. Also two model scenarios have been used in the analysis of the prospects of the global oil market development: scenario 1, when the average oil price stays at $40 per barrel in the course of 2020–2021 and scenario 2, when after $40 per barrel in 2020 the oil price returns to the level of $60 per barrel in 2021.

Prospects of the global oil market

A significant share of the global oil supply market[1] accounts for: the US with production in 2018 standing at 669 mn t, Saudi Arabia with the output in the same year at 578 mn t, and Russia with the output in 2018 amounting to 563 mn t. The demand side is this: the USA with consumption standing at 892 mn t, European countries consuming annually 722 mn t, and China consuming 629 mn t. Consequently, in the short-run the development of the global oil market will depend on:

- On capacities of the USA, Saudi Arabia (and other OPEC countries), and Russia to ramp up global oil supplies and on their damping resources (in other words, on the production and transportation costs);
- On the ending of the COVID-19 spread in the countries-major oil consuming and on the scale of pandemic fallout for the economy.

Fig. 3 presents BP data for 2018[2] on the volumes of proven crude oil reserves. Countries with the highest proven reserves are: Venezuela[3] and Saudi Arabia, the rest (Russia, the USA) fall short 3–5-fold. This means that under the current output rate and without discovering new oil reserves Saudi Arabia has sufficient reserves for 90 years, Russia for 27 years, and the USA for 11 years.

Additionally, the required average per barrel price for break-even new projects in the USA and Russia is far higher than in Saudi Arabia (*Fig. 4*). For example, according to IHS Markit and Saudi Aramco estimates in November 2019, the average price of crude oil per barrel on a new land-based project in Saudi Arabia constituted $17, in Russia – $42, and in the USA — $49. On active oil fields — $10, $35, and $40, respectively. The above estimates include a full production circle and tax contributions. On the basis of these estimates, RANEPA experts have calcu-

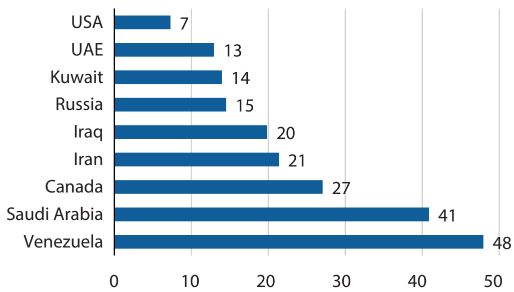


Fig. 3. Proven crude oil reserves by countries for 2018, billion barrels

Source: BP Statistical Review of World Energy June 2019.

1 41% of total oil production in 2018.
2 Publication of BP annual BP collection for 2019 was transferred for April due to COVID-19 pandemic.
3 Proven oil reserves relate to heavy and super heavy crude which makes production unprofitable in current economic environment. The highest price for break-even oil production see Fig. 4.

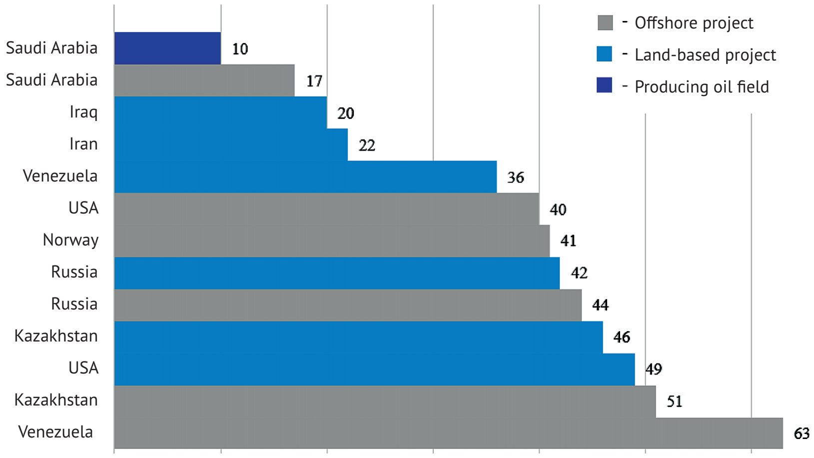


Fig. 4. Average price of Brent crude for break-even new projects (including full circle of production and taxes), USD

Sources: IHS Markit, Saudi Aramco IPO booklet.

lated an average break-even price of a barrel of tax-free oil for Russia, which totaled $13.[1]

Taking into account the annual average oil prices at $40 per barrel for 2020-–2021 (scenario 1), one can conclude that Saudi Arabia can easily ramp up output including by developing new deposits, meanwhile Russian can ramp up oil supplies on the world market solely from producing deposits. The US oil sector will face financial difficulties and reduction of the producing wells count. Price maintenance and its subsequent growth will depend on the ratio of ramp up production rates by Saudi Arabia, other OPEC countries, Russia and reduction rates of shale oil output in the US: in the event it surpasses the output growth volume then the prices will go up otherwise—downwards.

In case of scenario 2 when the oil price at $40 per barrel in 2020 will return to $60 per barrel in 2021, the Russian companies will be able to ramp up output including the new oil fields but at a slower pace than Saudi Arabia because according to the data released by the Energy Ministry more than 60% of Russian reserves are tight oil reservoirs. Additional risk for the destabilization of the oil prices due to the oil supplies growth in the scenario 2 implementation are posed by the return of the American shale oil producers on the back of profitability of their output.

Table 2 presents calculations of tax-free price of Russian oil producers under various scenarios.

Given that the average break-even price of a barrel of tax-free crude oil stands at $13 on producing fields, the Russian oil producing companies will bear losses at the oil price below $40 per barrel. Calculations' results also demonstrate that with the decline of oil prices budget revenues from tax returns in the

1 When calculating we used the data on the average dollar exchange rates (Rb63.87 per USD) and average crude oil price ($60.49 per barrel) for November 2019. Consequently, global oil price in rubles per ton for this period came to Rb28,202. It was presumed that the sales margin for export and transportation costs constitute 15% of the commodity exchange for crude (Rb 4,230 per ton). At this exchange rate and the oil price export duty on crude constitutes Rb 6,829 per ton, and MER—Rb 10,230 per ton. Therefore, tax-free break-even price of crude for producers on the domestic market comes to Rb 6,088 per ton (or $13 per barrel).

Table 2

Calculation of tax-free price of Russian oil producers

	Unit of calculation	Scenario 1	Scenario 2
Ruble exchange rate	Rb/USD	72.50	65.00
World oil price	USD/bl.	40.00	60.00
	Rb/t	21 170	28 470
Margin in the sale for export, transportation	Rb/t	3 392	3 392
Export duty on oil	Rb/t	4 499	6 880
MET on oil	Rb/t	6 382	10 299
Tax-free producers' price	Rb/t	6 898	7 899
	USD/bl.	13	17

Source: own calculations.

sector will decrease significantly because the export oil duty and MET are tied to the parameters of exchange rate and prices on crude oil.

China is the largest consumer of energy resources in the world. Depending on the pace of its output recovery after the improvement of the situation with COVED-19 (reduction of new coronavirus infections) depends the growth of the global economy as a whole as well as the demand increase on the primary energy sources. According to McKinsey, Morgan Stanley, and UBS taking into account the situation with the spread of the infection[1] two scenarios are possible:

Scenario of "uncertainty and risk of recession" when the outbreak of coronavirus infection will lead to a heavy load on the health care systems of Europe, USA and other countries around the world, however the spread will slow down with the arrival of warm weather (the disease will peak by the end of May). The world economy will evade recession and will recover in H2 2020, but the global economic growth will be half—China's growth will be below 4%;

Scenario "pandemic will be unfolding in summer with global recession". COVID-19 will be resistant to warm weather and its spread will prolong till Q3, which will cause global recession. Health systems will be overburden, at year-end results of 2020 global economic growth will be minimal at 0.5–1% (the USA—0%, China—less than 2%). Development of the vaccine in 2021 and effective methods of fighting the coronavirus will flatten panic on the financial markets.

Russia is one of the major crude oil suppliers to China. However, since March 2020 two trading daughter companies of Rosneft got into the USA sanctions list, that is why the Chinese company Sinochen refused to purchase crude from Rosneft in order to avoid getting under the American sanctions. Crude supplies by Saudi Aramco to Asia with a discount of $6 per ton will replace the Russian crude. The share of China in the total oil exports of Russia come to 27%.[2] The loss of the clients from China can be a new challenge for the Russian oil sector because the buyers will strive to minimize Urals volumes and purchase cheaper Arab crude which also affects the European supplies. In the event of the implementation of scenario 2 "uncertainty and risk of recession" the oil demand will recover by the end of Q2, which will show growth of the Saudi Arabia's share of the global market.

1 Markets and pandemic: three scenarios of the development // RBC. 19.03.2020. [https://quote.rbc.ru/news/article/5e734d959a7947b4657c268e]
2 BP Statistical Review of World Energy June 2019.

In this context, the backbone of further development of the Russian oil sector should become customary oil stockpiles on land. Having said that, particular significance will have deepened development of the producing fields, raising the oil refining rate. Capacities for additional crude oil output will depend on the technological progress in the sector, development of import substitution technologies, raising oil recovery. Without this Russia will be unable to compete with Saudi Arabia for its share on the oil market.

In the event of implementation of scenario "pandemic will be unfolding in summer with global recession" demand on the initial energy resources will be able to recover solely by the end of the year under the condition of effective agreement on crude oil output control between OPEC and non OPEC countries aimed at banning oil price quotations plummet.

In view of this, OPEC+ pulled off on April 10, 2020 an agreement to cut oil output by 10 mn bpd from May 1, 2020 till June 30, 2020 and by 8 mn bpd for the remainder of the year, and by 6 mn bpd till the end of 2022 is the best solution from the point of view of pros and cons of the stakeholders. The deal is the necessary measure aimed at resolving the issue of cutting excessive supply of oil triggered by the pre-crisis oil glut of 1–2 mn bpd and excessive supply due to the 'price war' fallout between Saudi Arabia and Russia to the tune of 4 mn bpd and as to offset the demand decline triggered by coronavirus pandemic. The renewal of the deal meant that Russia could avoid a feasible imposition of duties by the US and Canada, attacks on customary market outlets by Saudi Arabia; overloading the storage capacities.

5. SNAPSHOT REVIEW OF FINANCIAL MARKETS

A. Abramov, A. Radygin, M. Chernova, A. Kosyrev

Over the past week (from April 3 to April 9), a 'rebound' was observed on the oil and gas markets that had to do with the expectations of an agreement being reached on oil production cut in the OPEC+ format, alongside hopes for passing negative peaks in coronavirus statistics in the USA. The adoption of massive financial relief programs worldwide helped sustain the bond markets and banks. The yield spreads even of risky sovereign and corporate bonds over government bonds have declined markedly. A certain euphoria could be felt on the markets. However, a lot of factors suggest that this respite for financial markets will be temporary. This week the market received a wave of alarming information related to a serious recession in the world's biggest economies, expected for the most part to start from Q2 of this year. Obviously, this piece of news will be followed by negative information concerning the financial statements of corporations. All this is likely to produce yet another downturn on the financial asset markets. The risks of a massive capital flight from the debt market are still there. At this stage, the main support measures in many countries aim at preventing big companies' defaults and maintaining the viability of small and medium-sized businesses.

Weekly news and opinions

1) On April 9, IMF head Kristalina Georgieva said that the situation in the world economy is worse than during the 2008–2009 crisis.[1] Due to the worsening situation with coronavirus, the IMF will increase the amount of its emergency financing to $100bn. In total, the Fund has about $1 trillion available for financing.

The IMF published a detailed review of the measures in the field of budget, foscal and monetary policies undertaken by every country around the world in order to support businesses and households during the fight against coronavirus, with the estimates of each program's value as share of GDP. According to these estimates, the total package of fiscal incentives launched around the world is worth $8 trillion, which, according to our estimates, amounts to about 9-10% of GDP.

According to the IMF, on April 14, the release of additions to its reports, the 2020 World Economic Outlook (April 2020) and the Global Financial Stability Report (April 2020), is expected. They should contain the IMF's quantitative projections of the estimated economic slowdown and its impact on global finance. So far, the IMF has not offered any such estimates. At the same time, contrary to expectations, in January 2020, the IMF did not publish its update of the Global Financial Stability Report, which usually contains an assessment of risks in the financial sector; this could contribute to the somewhat reckless stance of the financial community with regard to the likelihood of a financial crisis starting in January-February 2020.

2) Among the measures currently being undertaken in order to stabilize the economy in Europe, it is worth noting that there is still a lack of proper

1 https://www.imf.org/en/News/Articles/2020/04/07/sp040920-SMs2020-Curtain-Raiser

agreement or any single policy across the European Union. Thus, on April 8, in the course of their marathon 16-hour-long teleconference, EU finance ministers were unable to agree on a $543bn coronavirus bailout deal, which led to a sharp fall of Italian bonds. There are disagreements between the Netherlands and Italy over the conditions attached to the potential use of credit lines from the euro area's bailout fund, as well as the terms of the possible issuance of joint debt (EU bonds) to finance the response. Joint issuance is opposed by Germany, the Netherlands and Austria. France proposes the plan for so-called coronabonds that would ease pressure on Italy, Spain, and France itself. The other proposed methods include offering credit lines worth up to 2% of GDP of the EMS bloc's members, creating a pan-European Guarantee Fund that could mobilize about $217bn in liquidity for companies, and employment reinsurance schemes worth €100bn. At the moment, only the ECB actively assists the EU economies by purchasing debt instruments and providing cheap funding to banks, and by the end of 2020 its spending can climb to €1 trillion. The main problem for Europe remains the protracted process of developing proper joint strategies to combat the economic downturn, aggravated by differences of interests, which could significantly downplay the effectiveness of measures when they are finally implemented. All these factors have been contributing to the stock market volatility.

According to Bloomberg experts, the measures undertaken by each EU member alone are still insufficient. Only in Germany, where €156bn (4.5% of GDP) is allocated to support salaries, small businesses and welfare packages, and company loans are sustained by state guarantees worth €822bn (24% of GDP), these measures succeeded in closing the income gap and containing risks. In France, the fiscal incentives to support unemployment and income, worth €45bn (1.8% of GDP), deferred tax claims, and company loan guarantees worth €300bn (12% of GDP) are estimated to last only throughout H1 2020. In Italy, the measures designed to support the healthcare system, police and incomes are estimated to be worth only 1% of GDP, and the tax deferrals will not be enough to mitigate the blow to the national economy even in the short term.

In the UK, the announced fiscal incentives, including the state loan guarantees, amount to 3% of GDP. This package, together with the deferred tax payments and other liabilities for business, according to Bloomberg, will only be enough for H1 2020.

In Japan, the noteworthy fact is the doubled target for purchases, by the Bank of Japan, of ETFs and J-REITs to the value of $110bn (¥12 trillion) and $1.7bn (¥180bn), in order to boost liquidity and stabilize the markets. However, there still remains the risk of a further interest rate reduction (from the current level of -0.1%). The fiscal relief package designed to support businesses and households has reached a record high of 20% of GDP, which is likely to reduce the fall in GDP (Bloomberg experts predict that GDP will slide by 2.3% in 2020).

3) In the majority of developing countries, forex reserves are on the decline, thus pushing up the risks for their national currencies against the backdrop of their ongoing depreciation against the US dollar, according to Bloomberg. In March, the steepest plunge of forex reserves was observed in China ($46bn), as well as in Brazil, Turkey, Indonesia, Korea, and India. As the crisis deepens, further weakening of national currencies can be expected amid the falling commodity prices and export earnings. In addition, according to the Bank of New York Mellon Corp, capital outflows from emerging markets amounted to $83bn, with a projected further increase to $500–750bn.

4) On April 9, citing Reuters news agency, it became known that Russia, Saudi Arabia and other OPEC nations reached an agreement on a coordinated oil production cut in order to support oil prices. The parties to the OPEC+ deal tentatively agreed that in May and June, their daily oil production will be reduced by 10m barrels; from July 1, by 8m barrels; and from January 1, 2021 until April 2022, by 6m barrels. Russia and Saudi Arabia will cut their daily oil production by 2.5m barrels. The US does not participate in this agreement, but Trump has announced that US oil companies will reduce their shale oil production for economic reasons in face of an impending recession.

However, quite unexpectedly, the WTI oil market responded to the news by a downturn: at 11 p.m. on April 9, the one-day oil price decline was 7.6%. On the morning of April 10, it became known that the agreement had not been signed yet, and the negotiations were adjourned until Friday due to Mexico's refusal to reduce its daily oil production by 400,000 barrels. All these developments demonstrate just how shaky the achieved agreement really is.

5) Throughout the previous week, the hopes that oil prices may stabilize were contributing to a rebound not only of oil prices, but also of stock prices. However, it is now evidently too early to speak about a recovery of stock markets; the market is anxiously waiting for expert estimates of the depth and duration of the upcoming recession, as well as for the quarterly profit statements to be released by biggest companies. A negative economic outlook, coupled with negative financial results reported by companies, is highly likely to trigger a new wave of sales on the stock market.

Goldman Sachs Bank's chief market strategist David Kostin, who had previously predicted the serious impact of the coronavirus epidemic on stock markets, said on April 8 that there was a significant risk of a further stock market downturn [1, 2020].

6) The oncoming recession and the forced supply shock, practically inevitably, give rise to mass-scale defaults in the bond market. Several days ago, quite a few articles in the media raised the theme of the high debt burden of the state, households and business in the USA.

Amid growing fears for the debt market prospects, the US Federal Reserve announced its readiness to purchase not only government and mortgage bonds, but also regional bonds, shares placed by exchange-traded funds (ETFs), whose portfolio was invested in high-yield bonds, and corporate bonds, to the total value of more than $2.3 trillion. The US FRS will purchase bonds directly from companies or in the secondary market, on which under current legislation it may now spend $750bn, the previous cap having been set at $200bn. This support program also envisages the purchase of so-called 'fallen angels' (companies that after March 22 lost their investment-grade rating and were downgraded into junk territory) to the total value of up to $11bn. Among the first recipients of these support measures were companies like Ford Motor Co, Continental Resources Inc., and Western Midstream Operating LP. At present, the $9bn-debt restructuring process is already underway for the oil shale company Chesapeake Energy Corp.

Within the framework of these programs, the US FRS plans to purchase regional bonds, issued in the amount of about $0.5 trillion; the cap on these purchases is set at approximately $35bn.

The financial market support measures practiced by the FRS are not the same for different segments of the lending and debt markets. The FRS will provide additional support to those banks that issue loans to small businesses or participate in the US Treasury's Paycheck Protection Program. The FRS may spend about $650bn on purchasing these loans from banks, covering up to 95% of the debt amount.

Overall, the high-yield corporate bond spreads in the USA so far have not been reflecting the growing fears about future defaults; over the past week, from April 3 to April 9, they fell from 9.43 p.p. to 8.81 p.p. Last week in the USA, some non-financial companies, including Oracle, Dollar General Corp., and General Mills Inc., placed a record-large bundle of investment-grade bonds to the total value of $104bn, thereby surpassing the previous record of $73bn set during the previous week [2]. In many cases, companies sold bonds with a yield that was slightly higher than that of previously issued bonds, which is a sign of a high demand displayed by investors.

7) Over the course of last week, various reputable investors voiced their rather alarming opinions as to the prospects of the US financial market, including an assessment by Ray Dalio, the founder and one of the leaders of the biggest hedge fund, Bridgewater Associates [3], who suggested that the massive emission of US dollars under the current support programs will result in the USD weakening, rising inflation, and a crisis in the bond market. He said as follows: 'I believe that increasingly there will be questions by bondholders who are receiving negative real and nominal interest rates, while there is a lot of printing of money, about whether the debt assets they are holding are good storeholds of wealth. I believe that cash, which is non-interest-bearing money, will not be the safest asset to hold'. In his opinion, the current policy of whopping money stock increase will cause inflation and massive sales of bonds by investors.

8) The premiums on CDSs (Credit Default Swap) in the emerging markets are on the decline after having soared throughout Q1. The reason for this state of affairs, according to investors, is the current account surplus, which can be observed, for example, in Russia, Malaysia, and Bulgaria. For Russia, the premium peaked on March 19 (307.6 bps), thereafter falling to 162 bps as of April 9.

The risks in the Asian debt markets are on the rise. Over recent years, when interest rates were extremely low, structured securities became one of the most popular instruments for the category of relatively wealthy investors. Such securities promise a regular coupon income even during the periods of market volatility, and so they were able to attract many bank clients in Hong Kong and Singapore; according to Bloomberg sources, the share of such securities in their portfolios was as high as 20%. Besides, the high demand for such securities prior to the coronavirus spread could be explained by their higher yields — something that was practically unattainable in Asian markets. However, their face value is pegged to the fluctuations of certain assets, e.g. stocks, and so losses grow rapidly with the downfall of stock markets. According to the estimates as of April 9, the losses will amount to billions of US dollars. A similar crisis of structured debt securities is observed in Korea, where the volume of structured products had amounted to $87bn by April 1. In spite of the investors' rising losses, new securities are still being issued; since year-beginning, the total volume of their new issues placed by Asian private banks has climbed to approximately $15–20bn, thus further increasing the associated risks.

In China, the trading volume of high yield bonds demonstrated a significant shrinkage in April; however, according to Bloomberg's experts, no sweeping risks have yet been observed in that market. This can be explained by the measures that China has introduced over recent years in order to improve information transparency and the liquidity of risky bonds.

In Japanese stock markets, trading volumes also fell significantly, which gave rise to the risk of liquidity shortage. This is the upshot of the remote work of institutional investors and individuals, although the authorities have not yet introduced legal methods of restricting the movement of people. The decisions concerning a switchover to remote work are made at the company level. One example is the largest institutional investor — Nippon Life Insurance Co: at least half of its staff responsible for handling investments in corporate bonds will work at their offices. A similar situation is demonstrated by the Tokyo Stock Exchange. In April, the Bank of Japan increased its purchases of securities, to support the debt market liquidity.

However, according to Bloomberg, investors are reducing their portfolio weight of high yield Asian bonds. According to an expert from S&P, the current situation is somewhat reminiscent of the 1997 Asian crisis. Among all Asian economies, that of Singapore shrank most over the course of Q1, which was an early signal of depression. The depreciation of national currencies and the suspension of business activity of companies may jeopardize payments on high yield bonds, 40% of which (to the value of $4.56 trillion, including the $23bn worth of risky bonds denominated in US dollars) will mature before the end of 2021. The Asian high yield bond spreads have hit their ten-year high.

9) The economic relief package, introduced by the CARES Act and designed to support the US economy and households, makes it possible for citizens to handle the funds accumulated in their retirement accounts for 2020, including 401(k)s. Previously, retirees could take loans from their accounts amounting up to 50% of their accumulated savings, and not more than $50,000; now, the cap has been raised to 100% of savings value and $100,000, respectively. Besides, the retirees are now allowed to withdraw funds from these accounts before they reach the age of 59 years, without paying penalties. The funds thus withdrawn can be replenished at a later date.

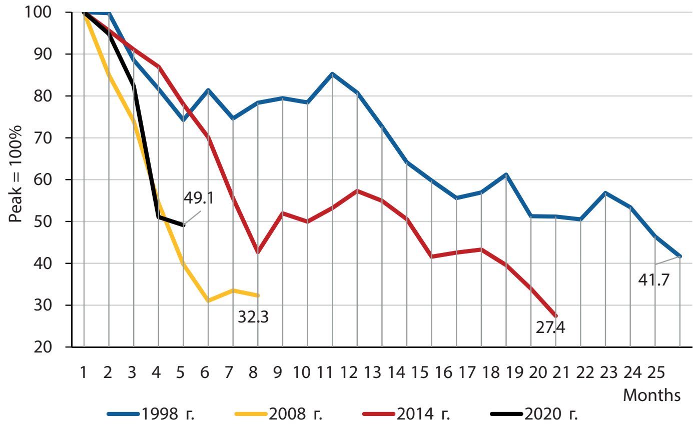
However, it is still unclear just how severely the problems caused by the epidemic will affect the various retirement plans existing in the USA, many of which have been displaying wide funding gaps. During the 2008 Great Recession in the USA, more than 200 companies suspended their employer-sponsored contributions to 401(k) retirement accounts; at present, according to the experts of Boston College (which administers the US retirement plan statistics database), the number of such companies is only about 12–14, one example being Marriott [4].

It has also become obvious that the plummeting interest rates and stock market downturn will seriously aggravate the financing gaps of defined-benefit pension plans.

The crisis indicators on the Russian financial market

In early 2020, the main channel of influence on the ruble exchange rate and the market for shares issued by Russian companies was the price war on the oil market, triggered by a breakup in dialogue between the OPEC countries and Russia over proposed oil-production cuts in response to the shrinking demand for oil in the midst of the coronavirus pandemic. Formally, this happened when Russia walked out of the agreement at a joint meeting on March 6, 2020. As shown in *Fig. 1*, over the period from December 2019 to April 9, 2020, the average monthly price of Brent lost 50.9%.

Over the period from December 2019 to April 9, 2020, the ruble plunged by 21%; meanwhile, Reinhart and Rogoff (2009) [5] define a currency crisis as the national currency weakening by 15% against the US dollar over the course of one year. As shown in *Fig. 2*, compared with the crisis scenarios of 1998, 2008, and 2014, the ruble's weakening in early 2020 in response to the movement of oil prices followed a steep trajectory, although, of course, it can hardly replicate that of its downfall in August 1998, during the acute phase of that year's financial crisis. Under the present circumstances, the ruble depreciation was contributed to by the fact that oil prices were plummeting against the background of an almost complete liberalization of the exchange rate regime in the RF, as a result of which the exchange rate mechanism has become much more transparent even in such a troublesome situation.



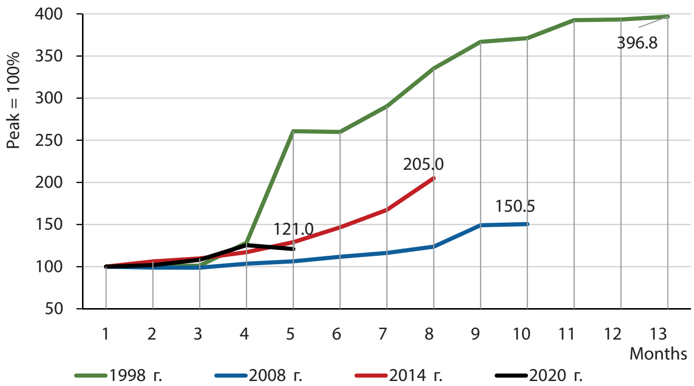
Note. The average price of Brent for April 2020 is calculated relative to the period April 1–9, 2020.

Fig. 1. The average monthly movement of the price of Brent crude oil relative to its peaks of December 1996, July 2008, June 2014, and December 2019, as % (peak value = 100%)

Source: own calculations based on data released by Thomson Reuter and Finam (https://www.finam.ru/profile/moex-akcii/gazprom/export/).

The effects of exchange rate on investments in Russian corporate securities are not only short-term; they also produce some long-term effects. If the price of oil, having experienced a variety of short-term oil-market shocks, later on remains at a lower level than before the crisis, the ruble's temporary weakening may evolve into its depreciation; this pattern has already been observed three times on the domestic financial market's history (in 1998, 2008, and 2014). The national currency depreciation, which in the long run translates into depreciation of ruble-denominated savings, has a devastating effect on the incentives for private and institutional investors to make long-term domestic savings.

As shown in *Fig. 3*, over the period from December 2019 to April 9, 2020, the RTS Index lost 28%, its plunge translating into the deepest market decline compared with the acute phases of the crises of 1998, 2008 and 2014. According to the classification by Reinhar and Rogoff [5, 2009], Barro and Ursua [6, 2009], if this decline pattern is confirmed by the year-end results of 2020, the current developments in the stock market will be defined as a fully-fledged financial crisis. However,



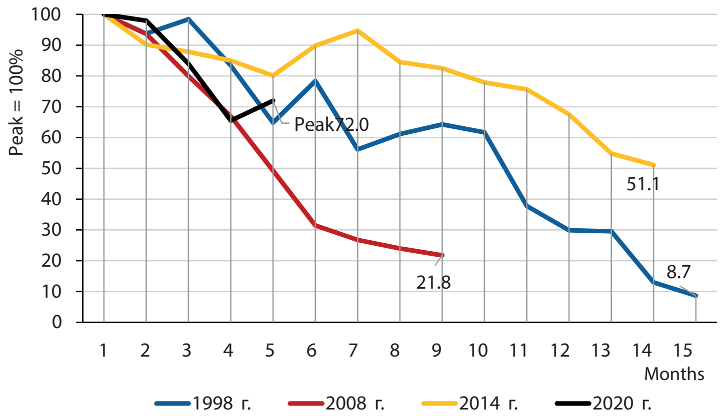
Note. The USD-to-ruble exchange rate as of April 9, 2020.

Figure 2. The average monthly movement of the USD-to-ruble exchange rate relative to its peaks of May 1998, May 2008, July 2014, and December 2019, as % (peak value = 100%)

Source: own calculations based on data released by the Bank of Russia.

it is important to note that the sharp decline of stock quotes both in the Russian and global financial markets in response to the economic recession threats so far has not given rise to crises in the financial debt markets.

Over the past three days, both global and domestic stock markets demonstrated a notable stock quote rebound, primarily in response to the approval, in the USA, of a $2.2 trillion coronavirus emergency relief bill aimed at households and businesses. However, the persistently alarming trends in the pandemic spread statistics and the ongoing oil market price war suggest that the stock market decline may continue, in Russia and around the world.



Note. RTS Index as of April 9, 2020.

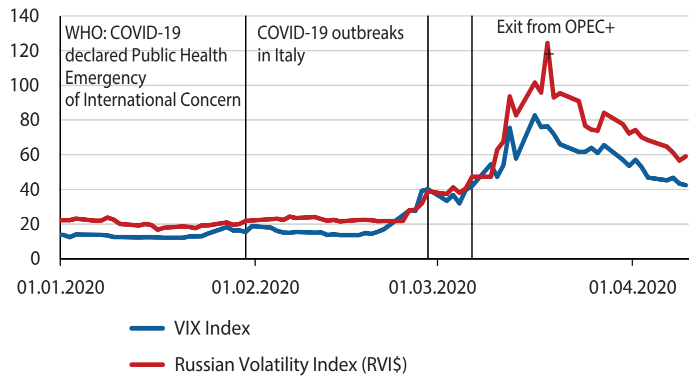
Fig. 3. The average monthly movement of the RTS Index relative to its peaks of July 1997, May 2008, February 2014, and December 2019, as % (peak value = 100%)

Source: own calculations based on data released by the Moscow Exchange.

World stock quotes and forex rates

Since early 2020, all 40 national exchange indexes included in our study have been moving downwards (*Table 3*). All the figures (except the RTS Index) are denominated in national currencies. The shallowest decline, as of April 9, 2020, occurred on China's both exchanges, although China had been the first to experience the sharply negative impact of coronavirus on the economy. The deepest decline was observed in Latin America, as well as in Greece and the Philippines. The MOEX Index lost 11.3% in ruble terms and 25.4% in US dollar terms. A relatively strong plunge was demonstrated by the indexes of several European countries: France and Italy, about 25% each; Germany, 20.3%; Spain, 26%. Dow Jones fell 16.8%; S&P 500, 13.8%.

Market volatility, both in the USA and in Russia, has been sharply on the rise since late February (*Fig. 4*). The main factors triggering its growth were the rapid spread of COVID-19, which for the most part simultaneously suppressed the economic activity in many countries, as well as the OPEC+ deal breakup that produced a downfall of oil prices. Probably, it was the plummeting price of oil that caused the widening volatility gap in the Russian and US markets. At the same time, stock volatility indices demonstrated a slight decline towards the end of March, in response to the measures undertaken by governments to support national economies.



Note. Volatility indexes as of April 9, 2020.

Fig. 4. Volatility indexes in the US and Russian markets, 2020

Source: Bloomberg.

From the onset of 2020 onwards, the national currencies of all 26 countries weakened, to a varying degree, against the US dollar (*Table 2*). The only national currency that gained in strength was the US dollar itself, as demonstrated by the movement of the Bloomberg Dollar Spot Index. The national currencies that have depreciated most since early 2020 were the Brazilian real, the South African rand, the Mexican peso, the Russian ruble, and the Norwegian krone. It is noteworthy that the krone had also been sliding in 2019, and then in 2020 its decline sharply accelerated, and in its downward movement overtook even the Ukrainian hryvnia and the Kazakhstan tenge. According to some data, the other factor that pushed down the Norwegian krone was the activity of Norway's sovereign wealth fund, which restructured its assets by way of hedging against the national currency exchange rate decline.

Table 2

The movement of national currencies against the US dollar in 2019 and 2020, %

	Growth, %	
	Over 2019	From year-beginning 2020
US dollar (Bloomberg Index)	-0.9	5.4
Philippine peso	3.4	0.4
Swiss frank	1.4	0.0
Japanese yen	0.9	0.0
Chinese yuan	-1.2	-1.1
Vietnamese dong	0.1	-1.4
Bulgarian lion	-2.2	-2.6
Euro	-2.2	-2.6
Kuwaiti dinar	0.1	-2.8
South Korean won	-3.6	-4.6
British pound	3.9	-6.0
Swedish krona	-5.5	-6.1
Indian rupee	-2.3	-6.4
Argentine peso	-37.2	-7.8
Polish zloty	-1.4	-8.8
Hungarian Forint	-5.0	-8.9
Thai baht	8.7	-9.2
Chilean peso	-7.8	-10.2
Turkish lira	-11.1	-10.6
Kazakhstan tenge	0.0	-11.5
Indonesian rupiah	4.1	-12.6
Ukrainian hryvnia	16.6	-12.8
Norwegian krone	-1.6	-13.8
Russian ruble	11.6	-15.8
Mexican peso	3.8	-19.7
Brazilian real	-3.4	-20.9
South African rand	2.6	-22.0

Note. Exchange rates of national currencies, Bloomberg, as of April 9, 2020.

Source: Bloomberg.

Table 3

The movement of national stock exchange indexes in 2019 and 2020, %

	Growth, %	
	Over 2019	From year-beginning 2020
China – Shenzhen Stock Exchange	35.9	1.9
China – Shanghai Stock Exchange	22.3	-7.4
Denmark – Copenhagen Stock Exchange (KAX)	25.9	-8.3
USA – NASDAQ (composite index)	35.2	-9.3
Switzerland – SIX Swiss Exchange (SIX)	26.0	-11.0
Russia – Moscow Exchange (IMOEX)	28.6	-11.3
USA – S&P 500 Index	28.9	-13.8
Malaysia – Bursa Malaysia (KLSE)	-6.0	-13.8
Hong Kong – Hong Kong Stock Exchange (Hang Seng)	9.1	-13.8
Portugal – Euronext Lisbon	21.2	-14.2
Sweden – Stockholm Stock Exchange (OMX)	25.8	-15.4
South Africa – Johannesburg Stock Exchange (All Share)	8.2	-15.9
Netherlands – Amsterdam Stock Exchange (AEX-25)	23.9	-16.0
Turkey – Borsa İstanbul (ISE-100)	25.4	-16.3
South Korea – Korea Stock Exchange (KOSPI)	7.7	-16.5
USA – Dow Jones Index	22.3	-16.8
Chile – Santiago Stock Exchange (IPSA)	-8.5	-17.8
Finland – Helsinki Stock Exchange (OMXH)	13.4	-17.9
Japan – Tokyo Stock Exchange (Nikkei 225)	18.2	-18.2
Canada – Toronto Stock Exchange (TSE 300)	18.9	-18.3
Australia – Australian Securities Exchange (AS30)	19.1	-20.0
Singapore – Singapore Exchange (Straits)	5.0	-20.2
Germany – Frankfurt Stock Exchange (DAX)	25.5	-20.3
Mexico – Mexican Stock Exchange (IPC)	4.6	-20.6
Norway – Oslo Stock Exchange (OBX)	14.1	-20.6
Belgium – Brussels Stock Exchange (BEL-20)	22.0	-21.8
United Kingdom – London Stock Exchange (FTSE 100)	12.1	-22.5
Poland – Warsaw Stock Exchange (WIG)	0.3	-23.1
Thailand – Stock Exchange of Thailand (SET)	1.0	-23.4
France – Euronext Paris (CAC 40)	26.4	-24.6
Italy – Italian Stock Exchange (FTSEMIB)	28.3	-25.0
India – National Stock Exchange of India (NIFTY)	12.0	-25.1
Cyprus – Cyprus Stock Exchange (CSE)	-2.6	-25.4
Russia – Moscow Exchange (RTS)	44.9	-25.4
Spain – Madrid Stock Exchange (Ibex 35)	11.8	-26.0
Hungary – Budapest Stock Exchange (BUX)	17.7	-26.7
Philippines – Philippine Stock Exchange (PSE Comp)	4.7	-29.5
Brazil – Brasil Bolsa Balcão S.A. (Bovespa)	31.6	-32.7
Argentina – Buenos Aires Stock Exchange (MerVal)	37.6	-32.8
Greece – Athens Stock Exchange (ATHEX)	49.5	-33.8

Note. Quotes as of April 9, 2020.

Source: Stock exchange indexes are denominated in national currencies (except the RTS Index) – Bloomberg.

5. SNAPSHOT REVIEW OF FINANCIAL MARKETS

The key indicators of debt markets around the world

The characteristic feature that distinguishes the current developments on the financial markets from the situation, e.g., during the 2008 crisis, is that the sudden downfall of stock, oil and currency markets has not yet translated into shocks and defaults in the debt market and the financial and banking system. At present, the financial authorities of many countries are undertaking far-reaching and drastic measures to prevent the crisis in the stock and currency markets from ‘infecting’ the debt markets. Thus, for example, out of $2 trillion of the US economic relief package, $0.5 trillion is allocated to the support of major companies and industries precisely in case of their inability to meet their debt obligations. In recent years, corporate debt markets have been demonstrating rapid grown in the USA as well as in many other countries, including the markets for investment-grade bonds (BBB) and high-yield (or ‘junk’) bonds. According to available estimates, in the USA it is the junk-bond market, worth about $1.2 trillion, that is closest to the onset of massive defaults.

That is why it is so important to monitor the behavior of credit default swap premiums and risky bond premiums relative to that of more reliable debt instruments, both by country and by category of corporate bonds with varying risk level.

Country risks are on the rise both on the developed and emerging markets (*Table 4*). Over the period from year-beginning 2020 to April 9, the growth of credit default swap (CDS) premiums on 5-year government securities denominated in US dollars was especially robust in Russia (2.7 times) and the most vulnerable EU economies. In terms of net growth, the leaders are Turkey (310 p.p.) and Greece (111 p.p.). The risk premium leapt upwards almost 2.7 times for Russia, Spain, and Portugal, and 2.6 times for Germany. Those for Japan, Britain, and France climbed less than twofold. For Italy’s government bonds, one of the major pandemic epicenters, the premium so far has gained only 52%. It is noteworthy that the risk index growth for China’s liabilities is also pretty low – about 1.6 times.

Table 4

The CDS premiums in some developed and developing countries, bps

	January 1, 2020	April 9, 2020	Growth in absolute terms, bps	Percentage growth, %
Portugal	38.1	106.6	68.5	179.8
Russia	59.2	162.6	103.4	174.8
Spain	42.1	112.4	70.3	167.1
Germany	9.4	24.2	14.8	158.3
Turkey	275.5	585.9	310.4	112.7
Greece	112.5	223.2	110.7	98.5
France	19.1	37.4	18.3	96.0
United Kingdom	20.2	37.8	17.6	87.0
Japan	20.7	38.0	17.3	83.6
China	30.2	49.6	19.4	64.3
Italy	128.8	195.8	67.0	52.0

Source: premiums on 5-year CDS denominated in US dollars – Bloomberg, as of April 9, 2020.

Some important signals concerning the global investor behavior can be gleaned from information on government bond yields with different maturities. In the current situation, the rising yields on various government bond markets point to investor withdrawal followed by plunging bond prices. And vice versa, the bond issues with declining yields, as a rule, attract additional investor money.

As follows from *Table 5*, the short-term one-year government bond yields are growing in the EU member states, Turkey and Russia (that is, investors are selling these bonds), while their notable downward movement is observed in the emerging markets of China, the USA, and the UK, pointing to an influx of investors into those countries. In other words, at a time when the key rate reduction by central banks around the world has dropped to zero, investors are giving preference to short-term government bonds, the prices of which, in the event of rising interest rates in the future, will decline more slowly than those of long-term bonds.

The yields on 10-year bonds have also been growing in some countries only. Their fastest growth has been observed in Turkey; the yields on Russia's, Portugal's, Greece's and Spain's government bonds are also on the rise, thus indirectly pointing to an increase in those countries' long-term country risk. And vice versa, a sharp decrease in these indices is observed in the USA (1.2 p.p.), China (0.63 p.p.), and the UK (0.5 p.p.).

Table 5

Government bond yields in 2020, %

	1-year			10-year		
	Year-beginning 2020	Current value	Δ	Year-beginning 2020	Current value	Δ
Turkey	11.06	11.21	0.15	11.93	13.16	1.23
Russia	5.24	5.75	0.51	6.36	6.69	0.33
China	2.28	1.17	-1.11	3.14	2.51	-0.63
Greece	0.07	0.3	0.23	1.43	1.77	0.34
Italy	-0.19	0.45	0.64	1.41	1.59	0.18
Portugal	-0.53	-0.12	0.41	0.43	0.9	0.47
Spain	-0.46	-0.06	0.4	0.46	0.78	0.32
USA	1.58	0.23	-1.35	1.92	0.72	-1.2
United Kingdom	0.59	0.04	-0.55	0.82	0.3	-0.52
France	-0.61	-0.47	0.14	0.12	0.1	-0.02
Japan	-0.13	-0.16	-0.03	-0.02	0.01	0.03
Germany	-0.66	-0.64	0.02	-0.19	-0.35	-0.16

Source: Bloomberg, as of April 9, 2020.

The spread between 10-year and 2-year US government bonds is considered to be one of the most popular early warning indicators of an impending crisis (*Fig. 5*). Throughout 2018 and 2019, it plunged approximately to its pre-crisis level of 2007 and early 2008. From March 2020 onwards, it jumped to a peak of 0.68%, and then slid to 0.5% as of April 8, 2020, which resembles its movement pattern at the onset of the 2008–2009 crisis. Probably, the reason for this behavior has been the steeper downfall of short-term yields caused by investors' switchover to short-term bonds and their withdrawal from the long-term securities market by way of reducing risks and uncertainty.

The US high yield corporate bond spreads have been increasing since late February 2020, and now they are already above all their previously observed values, one exception being the crisis period of late 2008 and early 2009 (*Fig.* 6). As of the end of March, risk indicators stood at 10.8 p.p.; now, these risk indicators for US high yield corporate bonds are at the level of approximately 8.8 p.p.

These facts point to the increasing risks faced by companies and their below investment grade securities. In view of the massive presence of such companies in the US market, the risk of a further spread of the crisis increases due to the higher likelihood of defaults is also on the rise. The spreads are calculated for yields of bonds rated below BB and government bonds of similar duration.

The problem of increasing high yield bond spreads is by no means unique to the USA (*Fig. 7*). It is noteworthy that the spreads of EU corporate below investment grade bonds were lower than those of US bonds of the same category. Moreover, over the past week, their growth slowed down significantly, and since March 23, a downward trend has emerged. In part, this is probably the upshot of rising yields on short-term bonds and the overall growth of market risks, and not just growth in the segment of most vulnerable companies. In the emerging markets, not unexpectedly, the spreads are highest, and have already reached 11.4 p.p., thus widening the gap over the course of the past three weeks. The Asian markets almost exactly follow the movement pattern of emerging markets because, as

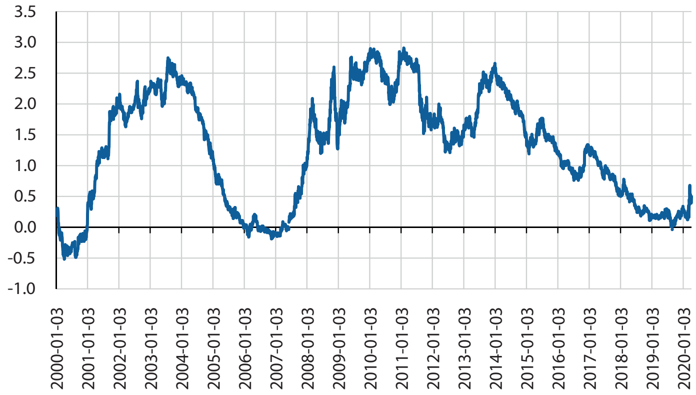


Fig. 5. The 10-year and 2-year US government bond spreads, 2000–2020, p.p.

Source: Federal Reserve Bank of St. Louis, 10-Year Treasury Constant Maturity Minus 2-Year Treasury Constant Maturity, official website of FRED, Federal Reserve Bank of St. Louis.

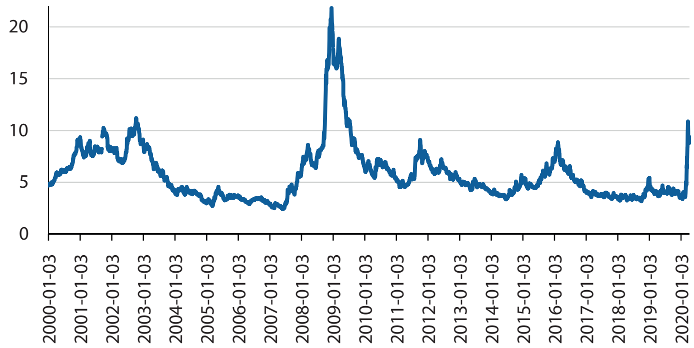


Fig. 6. US corporate high-yield bond spreads, 2001-2020, p.p.

Source: Ice Data Indices, official website of FRED, Federal Reserve Bank of St. Louis.

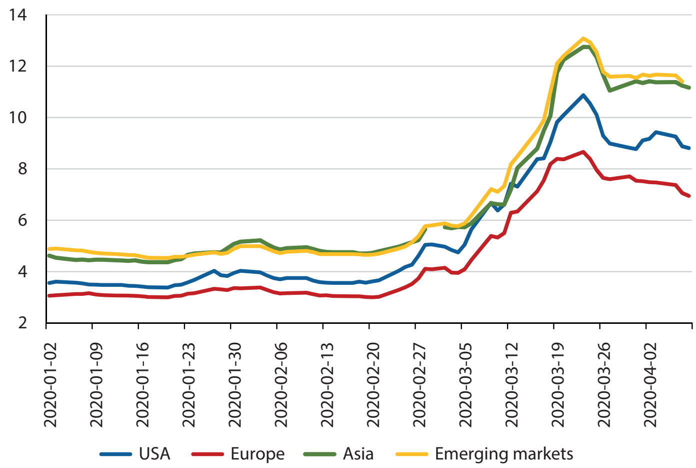


Fig. 7. The high-yield corporate bond spreads in the USA, Europe, and emerging markets in 2020, p.p.

Source: Ice Data Indices, official website of FRED, Federal Reserve Bank of St. Louis.

demonstrated by data released by Bloomberg, about 40% of all bonds were issued in the Chinese market.

According to Bloomberg, investors are reducing the portfolio weight of high-yield Asian bonds. An expert from S&P believes that the current situation is somewhat reminiscent of the 1997 Asian crisis. Among all Asian countries, Singapore's economy shrank most in Q1, which can be regarded as an early sign of forthcoming depression. The depreciation of national currencies and suspension of business activities may jeopardize the payments on high yield bonds, 40% of which (worth $4.56 trillion, including $23bn of risky bonds denominated in US dollars) must be paid off before the end of 2021. The Asian high yield bond spreads rose to their ten-year high.

* * *

Over the past week (from April 3 to April 9), a rebound was observed in the oil and gas markets that had to do with the expectations of an agreement being reached on oil production cut in the OPEC+ format, alongside hopes for passing negative peaks in coronavirus statistics in the USA. The adoption of massive economic relief programs worldwide supported the bond markets and banks. The yield spreads even of risky sovereign and corporate bonds over government bonds have declined markedly. A certain euphoria could be felt in the markets.

However, a lot of factors suggest that this respite for financial markets will be only temporary. This week, the market received a wave of troubling information related to a serious recession in the world's biggest economies, expected for the most part to start from Q2 of the current year. Obviously, this piece of news will be followed by negative information concerning the financial statements of corporations. All this is likely to produce yet another downturn in the financial asset markets. The risks of a massive capital flight from the debt market are still there. At this point, it is still unclear just how strongly the current crisis will hit the retirement plans.

At this stage, the main support measures in many countries aim at preventing big companies' defaults and maintaining the viability of small and medium-sized businesses.

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6. MONITORING THE ACTIONS OF KEY INTERNATIONAL INSTITUTIONS TO COUNTERACT COVID-19 AND ITS CONSEQUENCES

M. Larionova, A. Shelepov, S. Vasilkovsky, A. Ignatov, O. Kolmar, I. Popova, A. Sakharov

Most experts assess the actions of multilateral institutions to counteract COVID-19 and its consequences as belated, insufficiently coordinated and ineffective. The World Health Organization (WHO) received the first notice about a few cases of pneumonia in the Chinese city of Wuhan on December 31, 2019. On January 7, 2020, the PRC authorities confirmed that those cases relate to an outbreak of a new coronavirus infection.

The new virus was named 2019-nKov (COVID-19). On January 30, 2020, the WHO declared the outbreak of COVID-19 a public health emergency of international concern [1]. On February 3, 2020, the WHO released the strategic plan for preparedness and response to an outbreak of new coronavirus infection [2]. By this time, the number of 17.391 infected people was confirmed in 24 countries [3]. By the end of February, the number of infected increased to 85.403 in 53 countries [4]; the disease was rapidly spreading to the EU, that was not ready for a corporate response and counteracting an epidemic outbreak. By the time COVID-19 was declared a pandemic (March 11, 2020) [5], 113.702 cases and 4.012 deaths were confirmed worldwide, of which 80.924 and 3.140, respectively, in China [6].

Was the lack of cooperation truly unprecedented [7]? How effective and coordinated were actions of the key international organizations amid the growing disease? Could a corporate response to common challenges be more effective if the system of international organizations did not experience enormous internal pressure resulted from incomplete reform, increasing interstate contradictions, protectionism and geopolitical tensions?

It is important to understand this in order to draw conclusions about the proportionality of actions, to present a forecast on the future of international cooperation and the potential of specific multilateral institutions, as well as to formulate proposals for the Russian policy.

Multilateral financial institutions

International Monetary Fund (IMF)

On March 3, 2020, the International Monetary Fund and the World Bank have expressed their readiness to provide financial assistance to the affected countries using all available tools, including those aimed at minimizing the economic impact of the pandemic. [8]

Kristalina Georgieva, the IMF Managing Director, said that the Fund has lending capacity of nearly $1 trillion. In terms of emergency financing for countries with low incomes, they envisaged a Rapid Credit Facility (RCF) amounting up to $10 billion in interest-free loans, which they can access without prior coordination or comprehensive IMF program granted to a specific country. Other IMF member countries can access the Rapid Financing Instrument (RFI).

Emerging markets can benefit nearly $40 billion using this instrument [9]. At the same time, Kristalina Georgieva called on IMF member countries to help replenish the resources of the Trust Fund to curb and overcome the impact of disasters (Catastrophe Containment and Relief Trust, CCRT Trust) [10], which provides to eligible countries to cover their debt service obligations to the IMF [11].

In addition, IMF has expanded the eligibility criteria for receiving funds from the Trust. The decision allows all IMF member countries with a per capita income below the threshold set by the World Bank for preferential support, to be eligible for facilitation of debt service for up to two years [12].

The implementation of earlier decisions aimed to increase IMF resources has been stepped up in a pandemic. Thus, on January 16, 2020, the IMF Executive Board decided to double the IMF credit lines under the New Borrowing Agreements (NBA) for the new NBA validity period from 2021 to 2025. This measure requires approval by the legislative bodies of some IMF member countries. On March 27, the US Congress has expediently approved government commitment with regard to this procedure [13].

On March 30, the IMF Executive Board agreed on a new round of bilateral borrowing agreements between the Fund and its members (BBA), which will be in effect from January 1, 2021 until the end of 2023. BBA represent a kind of "IMF third line of defense" (the first two make up the quota resources of the Fund and BBA resources. The total amount of liabilities under the BBA arrangements for 2016 amounted to about $430 billion at the current exchange rate for 40 IMF countries. New agreements will help maintain and build the IMF overall drawing capacity, providing the ability to meet the needs of its members in time of crisis [14].

The IMF response to the pandemic is coordinated with other international institutions and requires the support of key members.

On March 26, Kristalina Georgieva appealed to leaders of the G20 member countries at the G20 emergency virtual summit to double the Fund emergency funding resources, ensure a significant increase of global liquidity via large-scale distribution of SDRs[1], expand the Fund's swap mechanisms and support debt standstill for the poorest countries [15].

Apart from traditional lending facility, the IMF is also considering additional options to assist members experiencing a shortage of foreign currency [16]. The G20 did not support the proposal, and on April 3, during a joint press conference of the IMF and WHO leaders, Kristalina Georgieva repeated once again the need to double resources for funding emergency programs of the Fund, and called for increased coordination of states and international institutions to combat the pandemic [17].

To date, about 85 countries have applied to IMF for financial assistance. The institution is also considering the possibility to distribute SDRs at the request of the Fund member countries, similar to actions taken during the global financial crisis [18]. On March 26, the IMF Executive Board approved the provision of 59.2 million SDRs to Kyrgyzstan ($80.6 million at the current exchange rate) under the RFI and 29.6 million SDRs ($40.3 million) under the RCF to meet urgent needs for financing the balance of payments due to the COVID-19 pandemic.

This is the first emergency loan within the framework of RCF and RFI instruments associated with the current crisis [19].

Apart from financial response to the crisis, the IMF keeps proving their expert support on measures aimed at eliminating economic consequences of the pandemic [20].

The IMF decisions have the potential to make a certain contribution to cushioning the negative economic impact of COVID-19 pandemic, primarily for

1 СДР (Special Drawing Rights, SDR, SDRs or Special Drawing Rights) – artificial reserve and payment instrument issued by IMF.

low-income countries. At the same time, there is a lack of coordination efforts observed among the Fund key member countries.

Thus, despite the appeals by the IMF head to G20 leaders requesting to support the new allocation of SDRs and measures on the debt standstill for the poorest countries by introducing a moratorium on the collection of loans from IDA member countries, the first question was not mentioned in the statement of the G20 emergency summit, while regarding the second question, the leaders limited themselves to a broad commitment to "respond to debt vulnerability risks in low-income countries caused by the pandemic".

Likewise, they did not take any corporate decisions to increase the resources of the Fund [21]. Over 80 countries have already turned to IMF for help, hence, a funding gap could delay implementation of the respective programs. Therefore, given the rapid spread of the pandemic, it will dramatically reduce their effectiveness. At the same time, it is challenging to reach consensus among key IMF member countries (G20 countries) on replenishing the Fund resources, since these particular countries currently account for the largest number of COVID-19 cases.

Russia, as a full member of the IMF, can count on the Fund financial support through the Rapid Financing Instrument. However, at present there is no such need: only Russia and Turkey out of the 9 non-EU emerging markets of Central and Eastern Europe did not apply for IMF financial assistance during the pandemic [22]. Therewith, given the fast-tracked cross-border spread of the pandemic, it is essential for Russia to participate in the IMF mechanisms as a donor in order to minimize the effects of the crisis in other countries.

Besides, it is advisable to use the system of indicators proposed by the Fund to evaluate appropriate measures in policy-making.

World Bank Group (WBG)

The World Bank Group (WBG), like the IMF, is coordinating partnership activities to support countries in a pandemic and amid intensifying global response. Even before the global spread of the virus, the WBG announced its support to China in strengthening sanitary and epidemiological surveillance, ensuring food safety, implementing emergency response measures, as well as disseminating information on international experience in eliminating such critical situations and on results of impact analysis of the coronavirus outbreak on the country's economy [23].

In February, the World Bank Group began developing an emergency package of measures to combat the COVID-19 pandemic, which in the current version provides for the expedited new funding amounting to $14 billion. The IBRD will secure $2.7 billion of the total amount, IDA – $1.3 billion, IFC – $8 billion (including $2 billion from existing trade facilitation mechanisms: the initial amount was $6 billion, however, it was increased by $2 billion owing to the Global Trade Liquidity Program and Critical Commodities Finance Programs aimed at helping banks to share risks [24]). Another $2 billion will be reallocated from portfolio of existing WBG projects.

The package of measures suggests consultancy on strategical issues and technical assistance.

The package of emergency measures suggests support in the following areas:

- Strengthening capacity to detect diseases and respond to their outbreaks owing to availability of prepared and well-equipped front line medical personnel.

- Strengthening cross-sectoral national institutions and platforms to the benefit of policy-making and coordination of preventive measures and preparedness for emergency.
- Support at the national and subnational levels for forecasting infrastructure needs (reference laboratories, clinical care), equipment, reagents, and supplies.
- Monitoring and evaluation of preventive and emergency preparedness measures.
- Establishment of real-time systems for local monitoring of the sanitary and epidemiological situation and accounting views of various stakeholders.
- Technical assistance for updating and / or revising national emergency preparedness plans and associated costs.
- Provision of goods and services for the purpose of epidemiological surveillance, clinical use and supply of personal protective equipment.
- Supply of vaccines and medications upon availability of their safe and effective analogs.
- Work to expand capacity in terms of clinical care; for example, renovation of intensive care units or in-patient care facilities, quarantine facilities [25].

The release of information materials designed to facilitate the effective development of distant educational systems against the backdrop of a pandemic [26, 27], as well as respective cooperation with national authorities [28] could serve as an example of the WBG expert advisory support in time of crisis.

A similar work is underway on international trade [29]. Thus, on April 2, an interactive database was launched on the international trade in medical goods, identified by the WHO as key supplies for the fight against coronavirus and existing applicable trade restrictions [30].

Moreover, on March 23, the 12-week period ended since the WHO announced the outbreak of coronavirus, becoming one of the criteria for activating the Pandemic Emergency Financing Facility (PEF). The mechanism was created in 2016 to provide additional funding to the poorest countries worldwide in time when they face large-scale transboundary disease outbreaks. The PEF funding includes contributions by IDA, Australia, Germany and Japan, as well as funds received in 2017 via pandemic bonds launched by the World Bank against the backdrop of the Ebola epidemic. Under this mechanism, IDA members will be able to receive funding worth the amount of $195 million.

On March 23, David Malpass, the WBG President, said during a meeting of the G20 finance ministers on the COVID-19 pandemic, that the bank was developing projects for 49 countries under the new mechanism of rapid response. At the same time, the WBG intends to scale the model created for the first group of countries over the next few weeks, and invite in April other Multilateral Development Banks (MDB) to provide subsequent tranches for the implementation of these projects [31].

The amount of $2.2 million was allocated to Mongolia already on March 25 [32].

On March 26, David Malpass announced at G20 virtual summit that the WBG is implementing new projects related to COVID-19 in 56 countries and restructuring ongoing projects in another 24 countries, directing funds to overcome the pandemic [33]. On the same day, it was decided to allocate Euro 45 million to Georgia, specifically, to minimize the economic impact of the pandemic [34].

Another decision referred to allocation of $5.1 million to Samoa as emergency funding under pandemic [35].

As of March 27, the World Bank specialists completed drafting the COVID-19 projects in 60 countries worth $2.8 billion [36]. Twenty five (25) of those projects were submitted for consideration of the Executive Board for a total amount of nearly $2 billion, as well as a new mechanism allowing the management to expediently approve such projects [37].

Apart from drafting the new projects, the existing ones are being retargeted to fight against coronavirus. Restructuring and redeploy of funds are implemented for these purposes, while components of existing projects are used to implement emergency measures. A delayed disbursement facility can be used in the event of an emergency.

As of March 27, the amount of such redistributed funds amounted to $1.9 billion ($0.8 billion approved and $1.1 billion under consideration) in 35 countries. Bolivia is an example of redistribution, where restructuring of the WBG project in the healthcare sector will allow to purchase 300 medical ventilators.

Taking into account the new projects and the redistribution of existing funds, the WBG COVID-19 response plan will allow to reserve up to $160 billion for projects implementation in the next 15 months. The projects will focus on poverty alleviation, social protection and support for strategic structural reforms related to fast recovery of economies after pandemic and establishing the platform for large-scale and sustainable economic growth [38].

On April 2, a list containing the projects of the first group funded by the new rapid response facility, was published.

Countries of Africa and South Asia will be the main recipients of funds under these projects. The largest amount of funding ($1 billion) will be provided to India, as the major and most affected country in this group [39]. Furthermore, it became evident that IFC reserved funds for financing trade worth of $545 million, two weeks since March 17, after the approval of the special rapid response facility. This was done for the purpose of implementation of 470 projects with 54% of them accrue to countries with low incomes and instability [40].

As for the IMF, the main issue of implementing the WBG programs to combat the coronavirus and the impact of the pandemic is the need to promptly attract additional resources. The adoption of an appropriate coordinated decision by key economies is currently facing challenges because they have to solve at least internal problems associated with the pandemic. Moreover, the WBG President, as well as the head of the IMF, has repeatedly called on creditor countries to allow the poorest countries to suspend all payments against paying off their official bilateral credits.

As suggested by the World Bank, moratorium could start on May 1. As a result, the support programs implemented by the WBG and IMF would be supplemented by the savings that countries could use to combat the COVID-19 pandemic [41]. However, G20 has not yet announced any specific decisions on this initiative.

Large-scale measures announced by the WBG are non-topical for Russia, since they are mainly aimed at assisting developing countries. Last but not the least, since 2014, financial activities of the World Bank related to new projects in this country, indeed, have been frozen. However, Russia keeps conducting information exchange with the World Bank, using its research and expert/analytical potential, as well as recommendations on economic policy. This interaction should be enhanced.

New Development Bank (NDB) and Asian Infrastructure Investment Bank (AIIB)
In recent years, Russia has been increasingly involved in the cooperation with new multilateral development banks, including the New Development Bank (NDB) and the Asian Infrastructure Investment Bank (AIIB) under sanctions constraints and reduced interaction with the IMF and WBG. These institutions also did not stand aside from the problems caused by the COVID-19 pandemic.

On February 18, 2020, the NDB Board of Directors decided to consider emergency funding to China under Emergency Assistance Program Loan to combat VOVID-19 [42]. On March 19, they approved a loan amounting to RMB 7 billion (about $1 billion). The loan was the first example of the emergency assistance program in response to an outbreak in its member countries and the NDB biggest loan until to-day.

The Program will focus on China's three provinces, Hubei, Guangdong and Henan that are hit the hardest by COVID-19 [43]. The Program will support these three provinces in financing their most urgent needs for fighting the spread of COVID-19 and reducing the adverse impacts of the outbreak on their local economies [43].

The project preparation period, starting with the request of the Chinese government to its approval by the NDB Board of Directors, took about a month; it became a record of efficiency for the bank. The NDB is prepared, if necessary, to finance similar projects in other member countries [44].

The AIIB has not yet approved any pandemic-related projects, but is "working on expanding investments in infrastructure, including public health, healthcare, and information and communication technologies, in order to help member countries affected by COVID-19" [45].

As part of this work, bank experts issued a report [46], emphasizing the direct correlation between the quality of the infrastructure as a whole and the safety of human health and indicating that infrastructure development is a key element of an effective healthcare system and epidemic preparedness.

Therewith, the report emphasizes that low-income countries are particularly vulnerable, since even before the pandemic there were significant needs for financing infrastructure. Given the economic downturn and the additional fiscal burden caused by COVID-19, many of them will not be able to reach the level of infrastructure investments of 6–10% of GDP that is necessary to maintain economic growth.

AIIB expressed its intention to provide member countries with a range of instruments for financing public healthcare infrastructure aimed at improving their economic sustainability and mitigating the impact of future health crises [47]. On April 3, in accordance with this decision, the Bank proposed to the Board of Directors to create a mechanism for post-crisis economic recovery.

The new mechanism will provide funding of $5 billion intended for both the public and private sectors. Funding within its framework will be accomplished over the next 18 months. The amount of funding can be increased depending on customer demand. The post-crisis recovery mechanism will become part of a coordinated international response to the crisis in line with the appeal of the G20 emergency summit [48].

To assist its members, especially low-income countries, AIIB is exploring the use of its Project Preparation Special Fund. Appropriate funds can be used to finance urgent public health needs (such as preparedness of emergency health infrastructure), and to support bank customers whose infrastructure investments have been severely affected by the pandemic.

In addition, owing to this mechanism, it is possible to provide financing for measures aimed at maintaining the capacity of production sectors, including manufacturing [49].

The factor complicating the participation of multilateral development banks (MDB) in confronting crisis is the speed of attempted measures and the forecast of consumption. The AIIB proposal to create a post-crisis mechanism has not been approved yet by the Bank Board of Directors. Only funding for combatting coronavirus in China has been approved. No similar decisions have been made yet with respect to other BRICS countries.

The respective opportunities for Russia to get funding for projects aimed to eliminate the impact of the COVID-19 pandemic are primarily associated with the NDB and AIIB. Moreover, being a full-fledged member of these institutions, having a significant influence on their decisions, Russia could promote a coordinated MDB approach to counter the existing crisis, including projects co-financing. It is necessary to more actively explore the potential of expert and consultancy support for assessing and forecasting the needs [50].

Trade and value chains

According to some estimates, the negative effects of coronavirus infection on global value chains, international trade and investments can be more dramatic than the impact of the global financial crisis of 2008–2009 [51]. According to the WTO forecast, the expected fall in world trade may reach from 13 to 32% in 2020 [52]. The global production chains were also endangered [53].

In the context of a deep crisis of multilateral trading system and absence of real mechanisms to prevent unilateral actions of member countries, the WTO response to global trade crisis caused by the outbreak of COVID-19 has been reduced to the performance of two functions: consultancy and monitoring. The consultative function is implemented by way of appeals and recommendations of the WTO (in particular, the need for notification). The monitoring function is implemented by way of research and reviews of the state of world trade.

On March 12, 2020, the Government of Kazakhstan requested Robert Azevedo, the WTO Director-General, to review the timing of the 12th WTO Ministerial Conference on the spread of coronavirus infection. The conference was due to be held on June 8–11 in the city of Noor Sultan [54].

Robert Azevedo noted the rationale of such a decision and expressed his intention to hold consultations on the new date of conference with WTO members, including the format of a special meeting of the WTO General Council. On March 15, the cancellation of all meetings at the WTO headquarters in Geneva was confirmed until the end of April 2020. [55]

On March 24, 2020, Robert Azevedo urged WTO members to ensure transparency of trade measures taken in connection with the COVID-19 pandemic. On March 25, the WTO launched a special information portal. For the time being, the portal has published notifications on trade measures taking place in Russia, Kazakhstan, Kyrgyzstan, Brazil, Indonesia and Mauritius in connection with coronavirus. The establishment of a special WTO Taskforce was announced also on March 24 with the goal to monitor and study the impact of the pandemic on world trade. The Taskforce has been authorized to develop cooperation with other international institutions and WTO members on matters related to COVID-19 [56].

On March 25, 2020, the WTO Director General highlighted the role of global value chains for post-crisis recovery of the world economy and called on countries to work together to overcome it. In particular, he praised the fiscal stimulus measures taken by a number of countries [57].

On April 3, 2020, the World Trade Organization published a report on cross-border trade in medical goods [58], containing statistics on trade in medicines, personal protective equipment and other vitally important goods, including applicable customs duty rates. The leading exporters of medical goods, Germany, the USA and Switzerland, among them, supplying 35% of medical goods to the world market, appeared in this report.

On April 6, 2020, the WTO and the World Customs Organization (WCO) issued a joint statement in relation to COVID-19. The heads of both organizations pledged to coordinate their efforts to minimize the crisis impact on trade in medical goods, food, energy and other critically important products. The statement urged all member countries to contribute to disclosure of information on counter-measures affecting the cross-border traffic of goods [59].

In compliance with the urge of the WTO Director General, the Russian Federation provided information on trade measures taken in response to the outbreak of COVID-19. To date, notifications have been provided of three similar measures in the sanitary and phytosanitary category [60].

BRICS

The BRICS countries did not make a corporate statement or plan of action to overcome the coronavirus, although health care has been one of the "five" cooperation priorities since the 2012 New Delhi summit. At the first meeting of the Sherpas on February 1, 2020, chaired by Russia, the BRICS member countries expressed their solidarity with China and pledged to work together in a spirit of responsibility, solidarity and cooperation in order to deal with the pandemic and its consequences as fast as possible.

They also emphasized the importance of preventing discrimination and the "stigmatization" of those infected [61]. This was a timely statement, especially against the US attempts to escalate xenophobic sentiments towards China and accuse the PRC of spreading the virus [62]. On March 19, the Board of Directors of the NDB approved a loan of RMB 7 billion (about $1 billion) as an assistance program to China [63].

The possibilities for coordinated action by the BRICS countries aimed to counter the spread of the pandemic and eliminate its economic and social consequences are under discussion, however, the likelihood of a breakthrough joint initiative is not high. We have identified two reasons for this situation.

Firstly, BRICS already has a stable agenda and a number of commitments in this area. Thus, in 2015, the BRICS countries decided to collaborate in areas such as managing the risks of new infections with pandemic potential and assisting efforts to strengthen the healthcare sector in the region as a whole, including cooperation with WHO and other international organizations. Moreover, this should concern not only COVID-19 but other possible pandemic diseases as well.

Secondly, BRICS invariably expresses support and commitment to collaboration with WHO and other international organizations. In this context, it is important for BRICS to prioritize the relevant actions in the global agenda of the international organizations. The partners are likely to decide on the implementation of current commitments, strengthen collaboration and support WHO initiatives to combat the spread of COVID-19, including the implementation of the Strategic Preparedness and Response Plan, scale-up of data exchange between networks and fulfilment of the Solidarity Response Fund to raise funds to fight the COVID-19 pandemic.

One of the cooperation priorities should be the establishment of sovereign epidemiological welfare systems in developing countries.

"G7"

G7 leaders addressed the topic of COVID-19 only when there was an urgent need for corporate action to overcome the economic consequences of the pandemic. On March 16, the "seven" agreed to act together to reduce the health and economic risks associated with COVID-19, as well as work out the preconditions for post-crisis recovery [64].

The leaders expressed their support to WHO, however, they did not promise any specific financial assistance either for implementing urgent measures or long-term actions aimed at strengthening healthcare systems and creating a global infrastructure to control and prevent COVID-19 and other pandemic diseases in the future [65]. The leaders only instructed the finance ministers to work out together with the IMF, WBG and other international organizations, schemes and opportunities for implementing international financial assistance to countries facing social and economic shocks from COVID-19.

"G20"

The first G20 statement on COVID-19 risks to the global economy was made on February 23, 2020 at a meeting of finance ministers and central bank governors of the G20 countries, chaired by Saudi Arabia. At this stage, participants agreed to strengthen the monitoring of events, to take all necessary measures, including fiscal and monetary policies, to support the economy and financial system of their countries [66]. Two weeks later, the Sherpas announced the need to urgently adopt a plan to counter further spread of the infection and agree on measures to maintain macroeconomic stability, restore international trade and stabilize markets [67].

The emergency summit and the meeting of the G20 finance ministers and central bank governors [68] held shortly before, were already taking place against the extremely pessimistic assessments of the COVID-19 impact on global economy. According to the OECD forecast, each month of isolation costs the G20 countries 2 p.p. of annual GDP growth [69]. The expectations of the international community from the summit were high, but many experts considered the results to be insufficient, especially in comparison with the corporate response that the G20 managed to agree on in the conditions of the financial and economic crisis of 2008–2009 [70].

Nonetheless, the rhetoric of the joint statement resembles the G20 document agreed at the first summit in November 2008. Decisions include urgent measures to overcome the crisis, protect vulnerable countries and population groups and safeguard employment, as well as medium-term actions to stabilize the economy and restore trade. In addition, they identified coordination trends and joint actions by international organizations.

To counter the pandemic, the G20 leaders agreed to provide adequate funding, exchange of information, epidemiological and clinical data, strengthen healthcare systems, including the full implementation of the WHO International Health Regulations. A decision was made with regard to financial support aimed at the implementation of the COVID-19 Strategic Preparedness and Response Plan and the immediate provision of resources to the new Solidarity Response Fund to help combat the pandemic of the new coronavirus infection.

Health ministers were authorized to elaborate an urgent G20 action plan prior to the meeting in April 2020. The leaders supported the WHO mandate to coordinate international efforts to combat the pandemic, pledged to strengthen collaboration with all international organizations and social partners in the development, production and distribution of medicines and vaccines. The WHO should assess additional needs and report to finance ministers aimed to work out a global preparedness and response initiative.

The G20 decision to pump economy with $5 trillion and use all available monetary and fiscal policies encourages to stabilize markets and increase the resilience of the economy in the face of a severe recession. However, this figure simply captures the totality of measures taken by countries. Economic measures include social protection, safeguarding employment, providing liquidity to market participants and households, while maintaining financial stability, expanding swaps between central banks, as well as measures to regulate and supervise financial markets. The Financial Stability Board (FSB) should coordinate and oversee financial markets.

In this respect, G20 leaders refrained from estimating new economic challenges and did not formulate any specific decisions on the required additional actions for countries and international organizations. For example, the leaders did not support the proposal of the IMF Managing Director to double the Fund capacity for emergency financing, substantively increase global liquidity by allocating a reasonable amount of SDRs (special drawing rights) and expanding swap mechanism in the Fund activity [71].

No consideration was given to the Russian initiative to set up a special fund under the IMF umbrella, financed principally by central banks, the currency issuers included in the IMF basket, with the right for any IMF member to borrow loans at zero long–term rate in proportion to its share in the world economy [72].

G20 actually returned to their commitment to provide a free, fair, non-discriminatory, transparent, predictable and stable environment for trade and investment and open markets. The decision has been taken to promote the recovery of value chains and international trade, and the wording that health emergency measures should be targeted, proportionate and temporary, agreed.

No support was rendered to the Russian proposal "to approve green corridors, free from trade wars and sanctions for joint supplies of medical products, food, equipment and technologies for the crisis period".

Despite all restrictions and criticism, the G20 statement confirms that the "group of twenty" retains political will to coordinate and implement corporate actions to overcome the crisis and remain a key forum for economic cooperation. However, it should be noted that on the eve of the G20 summit, the G7 foreign ministers failed to agree a corporate statement, since the US insisted on the use of the term Wuhan virus [73], while the rest of the members considered it overly hostile to China. It is very important that the decisions taken and the anticipated G20 action plan in relation to COVID-19 be implemented.

United Nations Organization

Only on March 25, 2020, António Guterres, the UN Secretary-General, announced the launch of a global humanitarian plan aimed at support of vulnerable countries to prevent the further spread of infection [74]. The plan calls for the mobilization of funding worth $2 billion. The collected funds will cover the supply of the laboratory equipment required for testing and providing medical assistance to those affected; development of public hygiene infrastructure;

organizing an information campaign to raise public awareness of the necessary precautions, as well as approval of additional land and air routes in Africa, Asia and Latin America with a goal to effectively deploy humanitarian teams and deliver equipment to affected regions. To date, the Central Emergency Response Fund has allocated the amount of $60 million with another $3 million allocated by national governments [75].

The United Nations Children's Fund (UNICEF) is involved in mobilizing resources to combat COVID-19. By March 23, 2020, a number of national governments, private companies, and the World Health Organization (WHO) transferred to UNISEF over $50 million; another $80 million was granted from UNISEF available funds and the Central Emergency Response Fund.

Available funds are channeled to ensure public awareness of the required safety measures, to deliver personal protective equipment, to provide equipment for organizing the distant learning process, as well as for psychological assistance to children [76].

On March 30, 2020, the United Nations Conference on Trade and Development (UNCTAD) presented a four-point financial support plan aimed at stabilizing the global economic situation. UNCTAD believes that at least $2.5 trillion will be needed to support developing economies, of which $1 trillion is proposed as "liquidity injections" through the redistribution of IMF SDRs; cancellation of external debt in the amount of up to $1 trillion; and an additional $500 billion as official development assistance (ODA) [77].

The calculations of the Development Assistance Committee of the Organization for Economic Cooperation and Development (OECD DAC) were used as justification – the amount equals an approximate ODA estimate of the DAC member countries over the past decade, provided that the target indicator of 0.7% of the GDP was achieved by the Committee member countries.

Only on April 2, 2020, the UN General Assembly adopted the first resolution to combat the pandemic after considering two projects within the framework of the previously approved "silence procedure".

The resolution A/74 / L.52, Global Solidarity to fight the Coronavirus Disease 2019 (COVID-19), urges all countries "to intensify international cooperation to contain, mitigate the impact and defeat the pandemic, inclusive of the exchange of information, scientific knowledge and best practices, as well as the application of relevant guidelines recommended by the World Health Organization "[78]. The draft resolution put forward by Ghana, Indonesia, Liechtenstein, Norway, Singapore and Switzerland, was supported by 188 of the 193 UN member countries.

Therewith, the document lacks the fundamentally important commitments proposed in the Russian draft on rejection of new trade barriers, export duties, protectionist and discriminatory measures that contradict WTO rules; prevention of financial speculations impeding the access to health services and quality and effective medical supplies; sharing accessible and accurate data necessary to effectively combat COVID-19. The resolution does not include provisions on the prevention of stigmatization and discrimination of states, peoples and citizens in connection with COVID-19 [79].

Regional response. European Union

The coronavirus pandemic severely affected EU countries, becoming the second center of the virus spread after China. Persisting system of three tiers of competencies and actual inability to introduce comprehensive Europe-wide measures in certain areas, compounded by the lack of coherence between the actions of member countries, greatly complicated coordination and slowed down the introduction of response measures. The EU supranational institutions either lack relevant competencies or they are limited in healthcare, taxation, and tourism.

Nevertheless, the EU introduced far-ranging measures to combat coronavirus and mitigate its economic consequences within the competence of the European Commission and the ECB.

To mitigate the blow to the economy, the Commission adopted a European Coordinated Response to COVID-19. On March 19, 2020, the European Commission approved a time frame allowing states to provide enterprises with liquidity to maintain their activities or to temporarily freeze it if necessary [80]. On March 20, the European Commission proposed to apply a general escape clause to suspend the provisions of the Stability and Growth Pact [81].

This will allow member states to take measures to properly overcome the crisis, deviating from budgetary requirements that are usually applied within European fiscal system. Moreover, the European Commission adopted the €37 billion Corona Response Investment Initiative, which aims to support health systems, SMEs, labor markets and other vulnerable sectors of the economy, and approved the allocation of another €28 billion to structural funds [82].

On March 19, the European Commission decided to create a strategic resceu capacity, i.e. a common capacity of emergency medical equipment (ventilators, masks and laboratory supplies) to help EU countries. The Commission will fund 100% of the capacity [83].

On 18 March, the European Central Bank's Governing Council announced a new Pandemic Emergency Purchase Programme as a response to pandemic with an envelope of €750 billion to be allocated until the end of the year (private and public sectors securities), in addition to the €120 billion decided on March 12.

Together this amounts to 7.3% of euro area GDP. The amount of up to €3 trillion of liquidity is provided as part of the ECB refinancing, in particular, at the lowest interest rate of 0.75%. European banking supervisory authorities also released about Euro 120 billion of supplementary banking capital to support the credit capacity of euro area banks [84].

On April 8, the second package of measures was agreed, allowing flexible use of EU structural funds for the most affected regions. As a temporary and exceptional measure, member states can request up to 100% of funding from the EU budget from July 1, 2020 to June 30, 2021 for programs to deal with the consequences of the pandemic [85].

The crisis associated with the pandemic COVID-19 has once again revealed the main flaws in European integration. It is still extremely challenging to develop and implement a pan-European response package in a crisis despite the depth of interstate integration.

In the first instance, member countries promptly began introduction of unilateral measures amid crisis. The first response of some countries to the crisis (for example, Germany and France) was the closure of national borders and the introduction of a ban on the export of medical goods and equipment. After the intervention of the European Commission and commencement of closer interaction between member countries in the framework of European institutions, export restrictions have been lifted.

However, such a prompt response at the pan-European level demonstrates that national trends in Europe are still very strong and that in times of crisis, governments act as "everyone is for himself".

Secondly, there is still lack of solidarity between member countries, and considerable disagreement remains over the measures that can and should be implemented to save the economy in time of crises. The current crisis has once again become an indicator of the existing split between the northern and southern countries. Italy, Spain, France and a number of South European states have once again proposed the introduction of a single debt instrument, the so-called Cbonds (similar to the type of Eurobonds that have been discussed for many years) to finance current and future steps to recover the economy. Northern countries led by Germany and the Netherlands, are not in favor of this idea and urge to use existing instruments, assuming that the ECB package of measures is sufficient.

Thirdly, different instruments of economic policy in Europe, fiscal and monetary, are in the competence of different bodies and institutions at different levels of decision making (in addition to inconsistently of member states in areas where supranational institutions have minimal supporting competence). Therefore, it is impossible to implement a single comprehensive and maximally effective response to emerging threats.

The continued system of three tiers of competencies makes it difficult to take quick, comprehensive and strategically important decisions, and does not allow a clear distribution of responsibilities among actors. This creates an opportunity for manipulating public opinion and shifting responsibility.

The economic and political consequences of the crisis are not yet predictable. However, a number of conclusions can be drawn.

Firstly, mitigating the impact on the economy requires large-scale government intervention. In fact, the countries most committed to fiscal austerity and the concept of a "small state," will significantly increase their spending. In addition, the need to ensure strict isolation of citizens and national quarantine entrusted the state with new powers in the field of big data and personal data circulation, creating new challenges for the current regulation in this area.

Secondly, a lack of coordination at the supranational level is evident in a number of areas, primarily in health care and taxation. This opens a window of opportunity for discussing the expansion of the competencies of supranational institutions in these areas, although, of course, one should not expect the transfer of these areas to the full competence of the European Commission.

Thirdly, the crisis has demonstrated that capacity of supranational institutions to take large-scale support measures is limited. Hence, it follows that the EU budget should be increased. It is also necessary to be mindful of a scenario whereby the current crisis significantly hits the European integration.

Apart from that, the current crisis can have a serious political impact on some European countries and the EU as a whole. The growing influence of populist radical parties in recent years is a sign of the political landscape of many European countries. Currently, these parties actively criticize the European bureaucracy and the ruling elites of their countries for the untimely and insufficient response to the crisis.

This may result in even greater consolidation of radical political forces both in domestic elections and in the European Parliament. However, at the same time, the evident insufficiency of unilateral actions implemented by countries without coordination at the pan-European level refutes the arguments of the Euro-populists.

Regional response. EAEU

The COVID-19 pandemic also affected the EAEU countries, although the situation there is still better than in China, the USA and some European countries owing to strict quarantine restrictions.

As of April 5, 2020, there were 6343 cases of coronavirus COVID-19 revealed in Russia among EAEU countries, 770 – in Armenia, 562 – in Belarus, 531 – in Kazakhstan, 147 – in Kyrgyzstan. Measures taken by each of the states are driven by their physical resources, healthcare situation, people's attitudes and the quality of infrastructure. Russia has practically interrupted passenger service with all countries, including partners in the EAEU. Kazakhstan, Armenia and Kyrgyzstan imposed state of emergency, Belarus takes targeted measures to limit the spread of coronavirus

Cargo traffic and cross-border trade between the EAEU partners has not yet stopped [86]. Road freight is performed in compliance with quarantine and sanitary-epidemiological standards.

At the same time, the Eurasian Union countries are trying to work out coordinated measures aimed at combating the epidemic, stabilizing the economy and building conditions for recovery and further economic development. The EEC Interim Coordination Council was established.

The EEC regularly monitors measures taken by the EAEU countries at the national level and publishes on their website [87]. On March 16, 2020, the EEC Council decided to zero or reduce customs duties on certain medical supplies as may be necessary to prevent and control the spread of coronavirus [88].

These measures mainly apply to personal protective equipment, disinfectants, diagnostic reagents, certain types of medical equipment and supplies. The decision applies to medical goods imported into the customs territory of the EAEU from March 16 to September 30 of this year. The EEC has also been tasked to set up a working group to take prompt actions and exchange information amid the spread of coronavirus.

On March 31, 2020, the EEC Board decided to put into place the "second package" of measures aimed at counteracting the spread of coronavirus infection COVID-19 [89]. These measures provide for introduction of a temporary ban on the export of certain foodstuffs from the countries of the Eurasian Economic Union. Among them are onions, garlic, turnips, rye, rice, buckwheat, millet, cereals, wholemeal flour and cereal pellets, crumbled buckwheat, buckwheat prepared foods, crushed and uncrushed soybeans and sunflower seeds.

Their export has been banned until June 30. The decision of the EEC Board shall enter into force 10 days after the date of its publication on the website of the Eurasian Economic Commission. Ban introduction will provide the population with a sufficient amount of such goods in time of sanitary and epidemiological exacerbation.

The coronavirus pandemic revealed a number of EAEU issues that need to be addressed at present and in the future, after the epidemic ended:

The EAEU has not yet formed a common market for pharmaceutical and medical supplies, while the share of these imported goods from non-CIS countries exceeds 60% vs 70% for medical equipment.

Such issues as registration and medical examination of labor migrants and provisions for their families are not sufficiently developed. In time of coronavirus epidemic, embassies, business communities and governments of those countries where migrants come from, in fact, kept aloof from issues of medical control and provisions.

6. Monitoring the actions of key international institutions

The quarantines introduced by the EAEU countries prevent labor migrants from returning home after terms of their stay in a specific country expire, or in emergency.

Unsettled migration issues can cause a social explosion among people who lose their jobs. People coming back to their countries will put labor market under pressure, and lack of immigrant remittances can provoke a collapse of the economy. This, in turn, can cause an increase in radical sentiments threatening the entire Eurasian Union and Central Asia.

* * *

The corporate actions of international organizations were belated and inadequate. One reason is the political fragmentation and tension in international politics. International institutions set up in the last century and not reformed in the post-crisis period have been impaired by tensions between member countries. Another reason is the dominance of the nationalist approach in the search for solutions to global problems.

The third reason is the lack of a global forum for international cooperation for the sake of well-being and protection of citizens. The UN, set up simply for the implementation of this mission, just turned out to be a victim of the "crisis of multilateralism", expressed in tough interstate tensions. The G20 is better able to cope with its key tasks of maintaining financial stability and providing conditions for strong, sustainable and inclusive growth than dealing with the task to overcome inequality and well-being of the whole society.

The G20 took time and considerable efforts to agree on a corporate response to the COVID-19 crisis and its economic and social consequences. Although the decisions of its leaders are criticized, the G20 has taken the responsibility to coordinate corporate actions, committing to mobilization of resources to protect health, economic growth, employment and development; G20 authorized the health and finance ministers to develop an urgent action plan by April 2020 to jointly combat the pandemic, and outlined joint activities with WHO, IMF, WBG and MDB for the implementation of coordinated financial assistance to vulnerable countries.

It is critical that G20 members implement their decisions and develop concrete commitments for the next meeting to protect people's lives, support developing countries and strengthen health systems.

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