



The Impact of Covid -19 on Economy and International Business

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**SUBMITTED IN THE PARTIAL FULFILLMENT OF THE REQUIREMENT FOR
THE DEGREE OF MASTERS IN BUSINESS ADMINISTRATION
INTERNATIONAL PROGRAM, GRADUATE SCHOOL OF BUSINESS,
SIAM UNIVERSITY, BANGKOK, THAILAND**

2021



Title of Research: The Impact of Covid -19 on Economy and International Business
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Degree: Master in Business Administration (International Program)
Academic: 2021

This is Independent study has been approved to be partial fulfillment of the requirement for
Degree of Master in Business Administration in (International Business)

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Abstract

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Covid-19 has affected the economy and international businesses and its spread has brought the global economy down. There were two ways that led to the reduction of economist activities. First, the spread of coronavirus made social distancing a norm for everyone around the world, which forced corporate event and offices, businesses, financial markets to shut down. Secondly, the speed of which the virus spread led to concern of safety for the consumption of consumers, investors and international businesses. Covid-19 began March 2020 and spread rapidly into many countries and markets. During this period, restrictive measures, monetary policy measures, fiscal policy measures, and public health policies were adopted for the safety of everyone. The findings found that due to the amount of lockdown days and the many policies that ordered by governments, had the largest effects on the economy.

Keyword: Covid-19, Economy, International Business, Lockdown



THE IMPACT OF COVID -19 ON ECONOMY AND INTERNATIONAL BUSINESS

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ABSTRACT

Covid-19 has affected the Economy and International businesses and the spread of it has brought the global economy so much down. There are two ways that had led to the reduction of economist activities. First, the spread of corona virus made social distancing a norm for everyone around the world and due to which corporate event and offices, businesses, financial markets had to shut down. Secondly, at the speed of which the virus is spreading, led to flight in safety for the consumption of consumers, investors and international business. The Covid-19 start period was March 2020 and spread rapidly into other countries and market. During this period, restrictive measures, monetary policy measure, fiscal policy measure, and public health policy was adopted for the safety of everyone. The finding was found out that due to lockdown days and all the policy that were ordered by the government, the economy was affected the most from it.

Keywords: Covid-19, Economy and International Business

INTRODUCTION

Research background:

The preceding of Covid-19 pandemic has caused a lot of devastation which has arouse the attention of the public which has led them to the need of proper public health policy (Herper, 2020, King, 2020), due to large number of infected cases and deaths in the developed countries, that are led by United Kingdom and others (Worldometers, 2020).

Covid-19 does not only have consequences on the economy, but all the other societies are also affected which has led to changes in consumers and business behaviors. It has also disrupted countries economy like China and thus also spreading globally.

Due to Covid-19 there has been a lot of bankrupt in international business with it's well known brands in many in industries and consumers needs to stay home and thus economies are shut down (^{Tucker, 2020}). In the US, famous companies such as Sears, JC Penney, Neiman Marcus, Hertz, and J. Crew are under enormous financial pressure. The international businesses such as travel industry, is deeply affected; 80% of hotel rooms are empty (^{Asmelash & Cooper, 2020}), and airline have to cut their workforce by 90%, and there is no profit in 2020. And also events like expos, conferences, sporting events, and other large gatherings and cultural establishments such as galleries and museums have been called off. Consulting in general and personal services, like hairdressers, gyms, and taxis,

have also come to a standstill due to lockdowns. Lastly, important industries like the car, truck, and electronics industries have abruptly closed (although they started to open up two months after their closure).

Some businesses are struggling, and some are thriving. These are true for some businesses such as food delivery, online shopping, online education, and solutions for remote work. People have changed the ways they consume things, thus increases the demand of takeaway, snacks, and cleaning product since more time is being spent at home. Other industries that are doing well are those related to healthcare and medication as well as herbs and vitamins. However, if there is one thing the COVID-19 outbreak has shown us, it is that markets are dynamic (Jaworski, Kohli, & Sahay, 2000) and can move rapidly.

Research Problems:

In 2019, there was anxiety about the impact of a US-China trade war, the US presidential elections and Brexit on the World Economy. The IMF had predicted moderated global growth of 3.4 percent. But COVID-19 changed the outlook completely. Due to fear and uncertainty, global stock markets erased its wealth to US\$6 trillion in just one week from 24th to 28th of February.

If COVID-19 outbreak was not quickly contained, then The International Air Transportation Association (IATA) stated that travel industry would lose US\$113 billion. A lot of tourism industry was affected by this situation and which made people to cancel a lot of their flights, hotel bookings and international events. The goods flowing in and out from China was vastly reduced. Countries like Iran, Italy and France issued stay-at-home nationwide policies to control the spread of the virus, multiple of deaths and has put pressure on the national public healthcare infrastructure. People were told to stay-at-home which caused recession in developed countries, and there was a general consensus among economists that the coronavirus pandemic would plunge the world into a global recession (Financial Times, 2020). The International Monetary Fund in March stated that it expected a global recession that would be at least as bad as the 2007-8 global financial crisis followed by a recovery in 2021. (Georgieva, 2020).

The Covid-19 has also led many countries, school, international businesses, restaurants, shops, cafes, etc. to lock down for a while which caused a huge impact on labor markets. For example, one of the countries that were affected most by the lockdown was Europe. The survey that was carried out in May 2020 says that an employment that was lost was just temporary, and lower-educated workers were hit hardest. The lockdown has caused an increase in household work and childcare, and due to lockdown, there is hardly any source of income coming to the families. Men has also started helping the household work, but women will still be the one doing most of the work.

Also, in order to lesser the number of deaths and people getting hospitalized due to coronavirus, most government in developed countries decided to suspend many economic activities and restricted traveling and people going out (Brodeur et al. 2020 ; Qiu et al, 2020).

Objective Study:

This research paper further talk about how the Covid-19 has an impact upon Economy and International Business. The author uses the data from 210 countries to find support for the hypotheses and began with review of the literature to develop a model and hypothesis that tells about the impact of covid-19 on economy and international business and thus tells the method in how to let economy and business to come out firm strong from this tragedy.

The Scope Study:

The study focuses on finding solutions to the problem related to the impact of Covid -19 on Economy and International Businesses. And it also uses the documentary method to help find solution to the problem.

Research Significance:

The success of an economy and business, both are important to the country. But due to covid-19 the economy and business both are getting affected and facing difficulties daily. The (covid-19) pandemic has built up a strange and unusual behavior in consumers for the use of transportation like canceling flights because of restriction to travel elsewhere and accommodation like hotel bookings. Thus, the sudden behavior has caused a chaotic situation in the markets.

LITERATURE REVIEW

Covid -19:

Coronavirus (COVID-19) is deadly virus that started from Wuhan, China, in December 2019. Since then it started spreading rapidly to all over the world. According to WHO (World Health organization), there are about 36.4 million COVID-19 cases and 1,060,000 deaths which has been reported in September 2020. There are also report found out saying that many countries are now preparing for the second phase of the virus outbreak (WHO (World Health Organization), 2020).

Countries like Iran, Italy and France, issued a policy called stay-at-home to control and prevent spreading more of the virus, which has caused so many of deaths and has put pressure on the national public healthcare infrastructure. And this policy has caused recession in developed countries, and there was a saying by economist that this pandemic would plunge into a global recession (Financial Times, 2020). The International Monetary Fund in march stated that it expected a global recession that would be at least as bad as the 2007-8 global financial crisis followed by a recovery in 2021. (Georgieva, 2020).

Public health views database in a different way such as through the lens of medicine, epidemiology, and health science disciplines. If you do not have a proper health policy, it may lead to a huge loss of human lives, it might also shatter the economy, and expose the incompetence of the public bodies which includes the government and political leaders (United Nation, 2020).

Economy:

Economy is the wealth and resources of a country or a region, especially in terms of the production and consumption of goods and services. Economy of a country can be affected in so many ways and can cause damage and disruption to everyone's business living in that particular country. Thus, the virus that has caused disruption to the business and economy all the around the country at the current time is Covid-19.

Supply chain networks is another channel through which the COVID-19 negatively impacts the global economy. The research from different market region has showed that the functioning of global supply chains has been disrupted by the current crisis. And this is generating spillover effects throughout different levels of supplier networks. The covid-19 has affected a lot of people painfully, physically, mentally and emotionally which has led people to stay at home, and this was felt all around the economy sector, and also banned people from travelling, events getting cancelled like sports, marriages, mass events which affected entertainment industries and other economy badly (Horowitz, 2020; Elliot, 2020).

There is parallelism between the covid-19 and one of the events of 2007-2008; in 2020, many people during recession times assumed that the impacts of this would be largely localized (Elliot, 2020). Covid-19 did not only cause economic disruption but also created demand and supply shocks in every area (El-Erian, 2020). Covid1-9 had caused so many problems and restrictions to people using economic industry services. Other than travelling restriction, there have been restriction and banned on the other service sector as well like hospitality industry. During pandemic time the government announced 'stay-at-home policy' and 'social distancing' movement in many countries on restaurant businesses. This led to rapid shutdowns in cities and states to control the spread of the coronavirus, which threw many restaurants and hotels across the country into sudden shock. Hotels across the world also saw their business coming down by people cancelling their bookings worth billion of dollars, and the hotel industry sought a \$150bn bailout. Many restaurants lay off their staffs due to shut down of business.

For example, multiple hotels in the US, UK and in some European countries announced the temporary suspension of normal operations which puts the estimated loss of jobs to 24.3 million globally, and 3.9 million in the US alone due to the decline in hotel occupancy during the pandemic period. The economic impact on hotel industry due to the pandemic was for then 2008 recession.

International Business:

International business refers to the trade of goods, services, technology, capital and/or knowledge across national borders and at a global or transnational scale. It involves cross-border transactions of goods and services between two or more countries. This study attempts to identify the factor that affects international business success, it's small medium and big size. The intention is to provide understanding to people in how to set up their own business and also looking at the factors that will affect the success of the business, hence to reduce the failure and increase the success of it.

The international business is also part of mix (place, promotion, price, and product). When the epidemic took place several countries reacted to the shortages of medical equipment, medicines and testing kits that was supposed to come into the country by banning it or limiting the export of it (Evenett, 2020). Once the country has moved towards recovery, government has switched to traditional mercantilist by imposing more tariffs to the goods coming into the country, placing measures for people to buy domestic stuffs which means buying within their country/city and also adopting export subsidies (Bown, 2020). During coronavirus outbreak, most countries in the world have ordered a complete closure of their borders to foreign nationals to stop the spread and entrance of the virus into their country (Chugh, 2020).

Businesses - including multinational enterprises (MNEs) they were also left to adapt, understand and cope with the real normal. Due to this pandemic and lockdown many companies like distilleries, textile companies, and automotive firm has started their new venture for hand sanitizers, masks, ventilator, etc (Fleming, 2020). There are many factors that affected the success of international business and are classified into the few categories like: characteristic of SME (Kristiansen, Furuholt, & Wahid; 2003), products and services (Wiklund 1998; and Hitt & Ireland 2000). (5) customers and markets (William, James, & Susan; 2005). For an owner of small-firm managers, success can be measured through their lifestyle and the ways of doing business.

PAST RESEARCH

There are many previous research studies carried out on, The Impact of Covid-19 on Economy and International Business. These previous researches are based on the case studies. For instance, this case is about impact of Ebola diffusion and Covid-19 (Bogoch et al. 2015), which considered the impact of Ebola diffusion on international air travelers and on the logistics infrastructure network that is required to minimize the spread. It is also the case of a paper by (Ivanov 2020) that addressed the COVID-19 impacts on SCs and how to predict it by employing simulation techniques (Ivanov 2020; Ivanov and Das 2020; Ivanov and Dolgui 2020). This Covid-19

There is one more recent study that talk about this. It is a study by (Govindan et al. 2020) and (Ivanov 2020) presenting the devastating impact of the COVID-19/SARS-CoV-2 on global SCs. SCM decision-makers are equipped to make use of the available technologies and relevant techniques (including simulation) to predict impacts on their organizations/firms' SCs. Hence, the above-mentioned recent studies have talked about the impact of covid 19 on economy and international business and have also compiled findings regarding to it.

Findings

Covid 19



RECOMMENDATION AND CONCLUSION

The Covid-19 pandemic had caused a lot of negative impact on business such as tourism industry, hospitality industry, leisure tourist, medical tourist, business sector, and many more internationally. With a lot of decline of tourism around the world, business will have to recover its shape and business by considering safety and people's health to be number one priority.

An element that will be and should be included in the improvement of economy and international business is:

- Adapting the policy of social distancing
- Stay home if going out is not important and that necessary
- People should support local businesses by buying little stuffs from them
- Reduce or stop taking tax from people on everything for few months so that business can recover up
- Don't lay off people who are very old employee of your company and instead let them work from home if needed

To avoid the spread of covid-19 we need to take a several step-in order to make this a success. All the businesses and people around the world should come forward and help with this. There are some of the recommendation I want to do in order to stop the spread of the virus.

Firstly, is to order a complete closure of their borders to foreign nationals to stop the spread and entrance of the virus into their country (Chugh, 2020). Avoid letting people from another country to come into your country because your never know if they are infected or not.

Secondly, by imposing more tariffs to the goods coming into the country, placing measures for people to buy domestic stuffs which means buying within their country/city and also adopting export subsidies (Bown, 2020).

Thirdly, by banning or limiting the export of medical equipment, medicines and testing kits that was supposed to come into the country from outside (Evenett, 2020).

In conclusion, if we follow all the rule and obligation given by the government, we can help in preventing the spread of this virus. We are together in this and we all will come out stronger together.

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