



THE STATE SUPPORTS PROVIDED BY G7 COUNTRIES AND TURKEY DURING THE COVID 19 PROCESS

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Abstract

Covid 19 disease has taken its place in the list of the biggest pandemics in the history of humanity. Just after its outbreak in Wuhan, China the virus has spread to all over the world and infected millions of people and caused to death of about 6.5 million of them. After starting the vaccination processes the spread of the virus has slowed down and the reported cases all around the world started to decrease incrementally, but during this period Covid 19 gave rise to so many bad effects in healthcare system, education, businesses, trade and doubtlessly in economy. All over the world, economies have suffered from Covid 19 and to help citizens and business people states announced state support programs consecutively. In this research the supports provided by members of G7 countries and Turkey is being compiled to see the applications in the biggest economies of the world. The data is collected online from relevant websites of countries and international associations such as World Bank and IMF. Results of the research show that during the Covid 19 period there have been some common supports such as tax deferrals, direct payments to SMEs, postponing bills, etc. The differences derive from the amounts of the supports.

Key Words: Covid 19, State Supports, G7 countries

COVID 19 SÜRECİNDE G7 ÜLKELERİ VE TÜRKİYE TARAFINDAN SAĞLANAN DESTEKLERİ

Özet

Covid 19 salgını dünya insanlık tarihinin en büyük salgınları listesindeki yerini almıştır. Çin'in Wuhan kentinde ortaya çıkmasından hemen sonra dünyanın her köşesinde milyonlarca insanı enfekte etmiş ve 6,5 milyon insanın ölümüne sebep olmuştur. Aşılama sürecinden sonra dünya genelinde salgının yayılma hızında bir azalma olmuş ve rapor edilen vaka sayılarında azalma olmuştur, ancak bu süreçte Covid 19 başta sağlık olmak üzere, eğitim, iş dünyası, ticaret ve şüphesiz ekonomi alanında kötü sonuçlara yol açmıştır. Bütün dünyada ekonomiler Covid 19'dan mustarip olmuş ve iş insanlarına ve vatandaşlara yardımcı olmak için devletler destek programları açıklamışlardır. Bu araştırmada dünyanın gelişmiş 7 ülkesinden oluşan G7 ülkeleri ve Türkiye tarafından açıklanan devlet destek paketleri derlenmiş ve karşılaştırılmıştır. Kullanılan veriler devletlerin ilgili kurumlarının Dünya Bankası ve IMF gibi uluslararası kuruluşların internet sayfalarından alınmıştır. Araştırmanın sonucunda ise görülmüştür ki G7 ülkeleri ve

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Türkiye’de vergilerin ertelenmesi, Kobilere direkt ödemeler, bazı ödemelerin ertelenmesi gibi benzer uygulamalar yapılmış, aralarındaki en önemli farkın ise miktarlar olduğu görülmüştür.

Anahtar Kelimeler: Covid 19, Devlet Destekleri, G7 ülkeleri

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1. INTRODUCTION

There have been some extraordinary times in the history of humanity, World Wars, epidemic diseases such as influenza, plague, H1N1, Spanish flu, cholera are just a few of them. Lastly, Coronavirus disease which is known as Covid-19 has taken its place in the worst outbreaks list of the world history (Aslan and Akci, 2021). By the help of very high level of globalization, just after a short time it was seen in a city in China which is called Wuhan at the last quarter of 2019, disease has spread to the worldwide rapidly. According to the data of World Health Organization, about 624 million people have been infected with this virus and more than 6.5 million people have died because of Covid 19, and Turkey is one of the worst affected countries, as of October 21 2022 total number of confirmed cases reached about 17 million, and Turkish health authorities reported 101203 deaths related to Covid 19 (WHO, 2022). In addition to deaths and healthcare issues, Covid 19 has also effected almost all aspects of human beings, for example; people had to have a break to face to face communications, some relatively new concepts took place in our lives such as social distance, wearing masks at indoor areas have been obligatory, home isolations, quarantines, shut downs at all corners of the world and closing borders to international transitions are not so familiar practices to today’s human beings.

Covid-19 disease, switched the style of education from conventional ways to the modern style, all levels of schools have been closed in many countries including Turkey and education continued online, similarly so many sectors has changed their shifts to online if possible and closed their offices for a period of time. Covid 19 pandemic even changed the pray routines of people, mosques, churches and synagogues have been prohibited to pray, even prays in Kaaba has been suspended (Anadolu Agency, 2022; Daily Sabah, 2022). Among many other areas, may be the most severe effects of Covid 19 has been experienced in the economies of countries globally. It is possible to mention that this virus has caused a big and deep economic crisis globally (Sandbrook, et al., 2022: 278).

The origin point of this outbreak is China, which is the second biggest economy of the world, just after the USA with its 17,734 trillion USD gross domestic product value, also China is the biggest exporting country with \$3,3 trillion (World Bank, 2022; Statista, 2022). Naturally, even the virus had not spread to rest of the world, the shutdowns implemented in China could have affected the world economy in a bad manner and upset the supply and demand balance, but the virus spread and caused a pandemic so the economic situation got worse. To be able to spin the wheels of the economy which were about to stop, governments played a key role and almost all countries supported their citizens, and business people by providing crucial support policies (IMF, 2021). In the following parts the supports provided by the G7 countries which is the abbreviation of Group of Seven, which are; USA, Japan, Germany, France, Italy, England Canada and then Turkey are being focused.

2. STATE SUPPORTS

Before giving the details of state supports provided by G7 countries and Turkey, firstly it would be beneficial to make a definition of state supports. State supports are the crucial instruments governments use to increase the development and prosperity levels of the countries. The state supports aim to support companies during the crisis and recession times and strengthen the economy in general terms (Tengilimoğlu, 2021: 6).

These state supports are mostly given in the following four ways; direct grants, loans, guarantees, recapitalization (Martin-Domingo, Martin, 2022: 6).

Although the state supports issue is perceived as debated, in some extraordinary times it could be imperative to provide these supports and use them. In the history of economics, it is seen that, while a group of academicians leading by Adam Smith who is called as the father of liberal economy, supporting the idea of free market economy, on the other side the other group leading by Keynes supporting the idea of necessity of the state intervention for an effective market (Acar, 2021:11). The point that places the state supports in a debated position is also partially related to this argument. In the treaties establishing the World Trade Organization and European Union, there are points about the state supports. In the website of European Commission, it is directly mentioned that, according to the Article 107, state supports are generally prohibited unless exceptional situations because it may harm the competition balance and if the supports are given selectively, but states have the right to intervene economies if the supports are not allocated selectively, rather a common practice, such as taxation practices, payment deferrals, wage subsidies, etc. (European Commission, 2021; Ferri, 2021).

3. G7 COUNTRIES, STATE SUPPORTS AND TURKEY

3.1 G7 Countries

G7 is the abbreviation for Group of Seven which means 7 countries having the largest economies all around the world. The roots of the G7 countries go back to 1975's (Hajnal, 2002: 1). USA, Japan, Germany, France, Italy, England and Canada constitute the largest economies of the world according to the IMF database, China and India are also in the list of the biggest economies, but due to they were not in the top economies list in the foundation years they do not take place in G7 (IMF, 2022).

3.2. State Supports in G7 Countries

On 03.3.2020, economy ministers and central bank authorities of G7 countries have made a declaration and stated that they would use all monetary and fiscal tools to sustain economic growth and fight against the virus by allocating supports to healthcare systems (CRS, 2020). In this section supports provided by G7 countries are going to be discussed one by one, and the countries are sorted according to their GDP amount.

United States of America:

Today United States of America is at the top of the biggest economies list with its \$23 trillion annual GDP value (World Bank, 2022). This big economy is one of the worst affected countries from Covid 19, with more than 1 million deaths and about 96,5 million reported Covid-19 cases (WHO, 2022b). Due to the effects of the pandemic, in the second quarter of 2020 the economy of the USA has contracted about 30% (IMF, 2022). One of the main reasons for this much harm in USA economy could be the underestimation of the president through the pandemic. Disease has out broken during the presidency of Donald Trump, he is still being criticized for not taking this problem seriously at the beginning of the pandemic, making speeches not taking the problem serious, such that it is just a flu. But later, when the bad effects of Covid 19 is seen, the supports and precautions started to be announced. The basic supports signed in the Trump era can be listed as following;

- 483 billion USD Paycheck Protection Program; 321 billion of this money is allocated to SMEs to be able to help SME owners for not firing employees and increasing the unemployment rates, postponing the payments and loans, etc. about \$100 billion allocated for supporting hospitals and increasing virus test facilities.
- 44 billion USD for preventing unemployment, delay of student credits, social security payments, etc.
- 2.3 trillion USD under the package of Coronavirus Aid, Relief and Economy Security Act, including tax discounts, delays in loans of SMEs, etc.
- Another support is directly focuses on SMEs, economic injury disaster loans, including providing loans to SMEs, giving maximum \$ 2million for each, for 30 years maturity with low interest rates, long payment periods.
- Paying \$1400 for each of 156 million citizens.
- The interest rates of federal funds have been decreased about 150 base points.

After the elections, Joe Biden has been elected as the new president of USA, and the new president Biden signed the law known as American Rescue Plan on March 2021, which propose a support about 1.900 billion USD which equals to %9 of cumulative GDP value of year 2020, which includes giving 1400 USD support for each person who fulfill the conditions (IMF, 2021; US Small Business Administration, 2022; Euronews 2022). Also a \$12 billion economic aid package was announced by Biden which is specific for farmers,

Japan

According to GDP ranking Japan is the third biggest economy globally (World Bank, 2022). On February and April some small support packages were announced, but the first big support package was announced on May 2020 by Japanese government which was about 117 trillion Japanese Yen (1 trillion USD) which is equal to 21% of year 2019's GDP (KPMG, 2020; IMF, 2021).

This support package is covering healthcare issues, business supports, household supports, transfers to local governments, etc.(Ayдын, et. al., 2021: 2145-2146). Then on December, Japanese authorities put forward the second plan which costs about 74 billion Japanese Yen, which equals to 13% of the 2019 GDP. The Japanese Development Bank provided the opportunity of loans with lower rates, to be able to increase the level of liquidity, Japanese Government expanded the scope of swap agreements with other countries central banks. Also subsidies were provided for SMEs for

preventing a rapid increase in unemployment rates which was limited to 15.000 Yen a day per employee for the days he or she is not working. Additionally, The Bank of Japan, transferred more than \$4,6 billion to Japanese banks for the purpose of increasing liquidity capacity of the banks. (IMF, 2021; KPMG, 2020)

Germany

Germany is the fourth biggest economy of the world, and also has severely affected from the effects of Covid 19 pandemic. As of October 15 2022, more than 35 million cases have been reported by German authorities and 152.278 of these people have lost their lives (WHO, 2022d). German state has taken the required economic precautions for protecting and supporting the citizens and companies. According to the IMF data, for softening the effects of Covid 19, central government led by Angela Merkel has allocated 3 additional budgets; 156 billion Euros, 130 billion Euros and lastly 60 billion Euros, in sum these amounts means 10,3 percent of 2019 GDP of Germany. Additionally, state provided 50 billion Euros for SMEs. As is known Germany is made up by states, local governments and in addition to central government supports, local governments also support citizens, such that this amount reach to 210 billion Euros in terms of direct support and loan guarantees, payment delays for 3 months for consumer loans (IMF, 2021). Also for the relief of citizens German government makes a discount on the taxes collected from oil prices, so it decreased the oil prices at the end (VOA, 2022).

France

France, another member of G7 countries is one of them which was dramatically effected from coronavirus pandemic, 8% contraction in 2020 is one of the clearest results of the pandemic (IMF, 2021).

France has allocated some specific supports for airline sector, due to the closure of boundaries airline companies declared big amounts of losses, their tax payments have been postponed for 24 months, also social security payments have been postponed to be able to relieve SMEs and decrease the unemployment speed, another point included in the support program is about taxes, the payments of self-employed persons have been postponed. A 10 billion Euros aid package also provided to companies for credit insurances, maximum €100.000 credits for each company in agriculture sector and up to €120.000 to aquaculture sector.

Italy

In Italy, Patients waiting for doctors in the corridors of hospitals scenes have taken place on TVs for a long time, the pandemic has hit the country hardly. Data published by WHO shows that 23,5 million people have infected by this novel coronavirus and about 180.000 people have died because of the coronavirus pandemic (WHO, 2022e).

Similar to other countries, Italy has declared important support policies. On March 2020 the supports have been started to declare, the main supports are given in the following; the first package that is called as '*Cura Italia*' which means '*Save Italy*' in English was about \$10 billion, for enhancing healthcare facilities and tax deferrals of companies, postponing the payments of bills, etc (MEF, 2020).

Additionally, payments have been made for supporting households, such that about \$15 billion payments at the level of families. Another support given by Italian government is handing out €500 per months, €600 for self-employed persons for 5 million Italian citizen which approximately equals \$3 billion, €600 for childcare fund per family are some of the basic Italian state supports.

England

IMF data reports that; the first support package provided by England was about 49 billion, then €20 billion to business supports including direct payments, tax deferrals, social security payment postpones, etc. Companies with annual turnover lower than 45 million Sterling had the chance to take 5 million Sterling loan with zero interest rate for 12 months from British Business Bank. On the second support package these numbers have increased, the annual turnover amount has increased to 45-250 million Sterling and the amount of the loan has increased to 25 million Sterling (KPMG, 2020). Bank of England reduced the interest rates 50 base points and this reduction brought the interest rates to 0,25% which has never been in the past (CRS, 2020)

Canada

Canada has spent approximately 60 billion dollars for developing the health care system, test kits, vaccination issues, etc. When we check the supports about households and business it is easily seen that Canada has supported the citizens seriously, such that; the sum of these supports is about 290 billion Canada dollars which means 13% of the GDP of Canada. These supports include childcare funds, wage subsidies, postponement in insurance and social security payments (IMF, 2021).

Interest rates are important policy tools of governments and Canada has reduced these rates for boosting the markets which have slowed down all over the world. One example for this can be reducing the policy rates about 150 base points to 0,25 (IMF, 2021).

Turkey

Just like all the other developed countries, for supporting the citizens in terms of both households and business world, Turkish Government has firstly declared some precautions to decrease the spreading speed, for example closures at all levels of schools, wearing masks indoors, canceling sports matches, closing cinemas, theaters, restaurants, banning praying in mosques with other people, and lockdowns across the country. These precautions and coronavirus itself effected economy of the country and as a result, state supports started to be announced by President step by step. Some of them could be listed as follows; tax deferrals, equity transferring to public banks, social security payment deferrals, added value tax referrals for 6 months, supporting SMEs up to 10 million TRY which can contribute to production of masks, policy interest rates have reduced by 300 points by Central bank of Turkish Republic. The limits of the bail provided by Credit Guarantee Fund has increased to 50 billion Try from 25 billion TRY (İTKİB, 2021). Another important support provided by state is short period working subsidy, which shortly means supporting companies that has been effected from pandemic and lost its capability to do work by not taking social security payments, and providing these employees short period work payments. Also the food

prices have increased as a result of high inflation rates, and government reduced the value added tax rate on food for easing the access of people for basic needs (IMF, 2021).

CONCLUSION

In today's highly globalized world, a virus appeared in a Chinese city surrounded the rest of the world in a short time and the process and the results show us that all countries caught off guard to such a situation. Doubtlessly, the deepest effects have been seen in the healthcare system, some countries' healthcare systems collapsed. Secondly the economic situation of all world deeply effected and an economic recession occurred worldwide. There are possible reasons for this and one of them is the disruption of supply and demand balance. As a result, many businesses especially SMEs are closed, millions of people lost their jobs and income levels of households decreased relevantly, at this point state supports got involved.

In general, these state supports could be presented to citizens of the countries in many ways, but when we look at the state supports there are some common practices followed by the governments, for example; reducing the interest rates to ease people's access to money under better financial conditions, making more loans available, making direct payments to households, postponing the tax collection operations, facilitating unemployment insurance, short term work payments, etc. (CRS, 2020). In general, all members of G7 countries and Turkey have followed similar ways for sustaining economic activities and fight against recession, but the main difference is about the proportions. In this research some of the basic supports provided by G7 countries are listed. It is possible to say that, the determining factor for the amount and type of these supports is the financial situations of the countries.

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