

## **EFFECTS OF STATES GOVERNMENTS RESTRICTIONS RELATED ON CORONAVIRUS DISEASE (COVID-19) ON STATES ECONOMY - COMPARISON OF BALTIC STATES, SWEDEN, AND BELARUS**

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**Abstract.** In order to limit the spread of COVID-19, states have gradually implemented restrictions mandating school and kindergarten closures, postponing academic semesters and prohibiting visits to nursing homes to protect the elderly, borders were closed, states prohibited physical contact with more than one person from outside one's household, and other restrictions. This paper examines the economic effects of policies to contain Covid-19 in Baltic States by comparing them with the experience of Sweden and Belarus where the approach was less stringent and based more on social responsibility than legal obligations compared to the other European states.

**Keywords:** *Covid-19, restrictions, economy, GDP, Baltic States, first stage of lockdown.*

**JEL code:** K29, E61

### **Introduction**

When the World Health Organization declared a pandemic, national governments acted. Virtually all European States imposed restrictions on the spread of COVID with the declaration of the state of emergency (Al Zobbi et al., 2020). By comparison, the national restrictions are quite similar. Many countries have imposed aggressive containment and social distancing measures, in an effort, to slow the spread of Covid-19 (Goniewicz et al., 2020). While the pandemic and containment measures undoubtedly lead to significant economic fallout, the effects of the latter are still debated. The exceptions in the European region are Sweden and Belarus, where mandatory restrictions were practically not introduced, relying on the sensible actions of the people, social responsibility towards each other and the awareness that the people must acquire immunity.

With the aim to find out and evaluate to what extent the restrictions have affected the economy in the Baltic States in the first half of 2020, comparing the indicators of the Baltic States - Latvia, Lithuania, and Estonia with the indicators of Sweden and Belarus; examining the questions - whether there has been such an effect; the extent of the impact; whether the magnitude of the impact differed in countries with restrictions compared to countries without restrictions using WHO, Eurostat and national official data.

The analysis employs different qualitative and quantitative analysis methods, such as: political documents analysis, scientific literature and empirical research analysis, modelling tables, charts and schemes and other. When comparing the results achieved, as well as by examining the economic impact of the number of macroeconomic indicators, it is finally concluded that it has been influenced by national governments' policies in adopting restrictions.

### **Research results and discussion**

#### **1.Restrictions**

##### Latvia

On March 12, the Latvian government decided to declare a state of emergency in the country. The government is imposing restrictions to reduce crowding and the spread of Covid-19. Training in schools will take place remotely; public events were prohibited. From as far as possible, state and local government institutions should provide services remotely. "Home quarantine" will be mandatory for people returning from the Covid-19 affected area. Prime Minister: The aim is to limit people's gatherings for the next four, maybe several weeks. The President: If the government's guidelines are followed, Covid-19 will be restricted in Latvia. Minister of Health: The capacity to transmit and receive analyzes needs to be expanded. The Infectious Diseases Center organizes a mobile test site. All organized sports and leisure activities in and outside sports clubs have been abolished. Consequently, sports venues that work indoors will also have to close, although the number of participants is small (Cabinet of Ministers of Republic of Latvia, 2020).

In Latvia, the emergency situation announced on March 12 for the control of the new coronavirus Covid-19 ends on June 10. The virus is still circulating and there are no drugs or vaccines against it, so a number of restrictions and precautions remain in place (The Covid-19 Emergency ..., 2020).

##### Lithuania

To control the spread of coronavirus (COVID-19), the Government decided to declare quarantine on the entire territory of the Republic of Lithuania (Nikolajenko et al., 2020). The quarantine regime was effective from 16 March 2020 until 16 June 2020 (Ministry of Health of The Republic of Lithuania, 2020a). In pursuance with Article 21(3)(1) of the Law of the Republic of Lithuania on the Prevention and Control of

Communicable Diseases in Humans, Article 21 (2)(1) of the Law on Civil Protection, having regard to the adverse epidemic situation of COVID-19 (coronavirus infection) and the proposal by the Minister for Health, also to the recommendation by the Emergency Commission of the Government of the Republic of Lithuania of 14 March 2020, the Government of the Republic of Lithuania has resolved (Lietuvos Respublikos Vyriausybė, 2020):

1. To declare the tertiary (absolute preparedness) level of preparedness of the civil protection system;
2. To declare quarantine on the entire territory of the Republic of Lithuania;
3. To endorse the quarantine regime regarding: 1) cross-border and domestic movements; 2) the activities of public and private sectors; 3) the organisation of work in educational establishments; 4) the organisation of work in health care institutions; 5) the organisation of work in social service establishments. The Ministry of Health from 4 April 2020 was tightening the conditions of the quarantine in Lithuania to stop the spread of coronavirus infection and protect the population (Ministry of Health of The Republic of Lithuania, 2020b).

#### Estonia

The emergency situation was effective from 12 March when the government of Estonia approved the emergency measures at cabinet meeting (The Government has ..., 2020). According to the government's decision, the emergency situation in Estonia remained in effect until 1 June. Measures were taken to prevent the spread of the coronavirus in order to protect the overriding public interest, human health and life. The change in the way of life concerned schools, cultural life and leisure, and visits to institutions (Government approves emergency..., 2020).

Additional new measures concerned people-to-people distance in public space and the closure of shopping malls and additional entertainment facilities starting at 25 March. First, it was agreed by the emergency committee that at least 2 meters distance between people should be kept in public places, such as outdoor playgrounds, sports grounds, beaches, promenades, health and hiking trails and indoors, except in homes and when this cannot be ensured. Up to two people were allowed to be together in public space. This restriction did not apply to families living and moving around together, and to people performing public duties.

Second, the emergency committee agreed to close shopping centers, except for grocery stores, pharmacies, telecommunication outlets, bank offices, parcel stations, and stores selling or renting assistive and medical devices on the basis of an assistive card or medical device card.

Shopping centers eateries were only allowed to sell food as take away. In shops that remained open people must adhere to the principle that they may move alone or in pairs and keep at least 2 meters distance from other people.

Thirdly, it was decided that restaurants and bars should be closed at 10 pm in the evening, and that only take-away and home delivery will be allowed after that time. Fourth, entertainment venues, for example bowling and billiard halls, hookah cafés, adult clubs, was closed (Government Communications Unit, 2020).

The government specified the easing of restrictions after the Emergency situation from 1 June 2020 (The government specified..., 2020). The restrictions and easing of restrictions were approved by the Government by categories: restrictions to alcohol sales, quarantine, restrictions on crossing the state border and quarantine (The Government approved..., 2020).

#### Sweden

Sweden has largely relied on voluntary social distancing guidelines since the start of the pandemic, including working from home where possible and avoiding public transport. Sweden has refrained from universal school closures, stay-at-home orders, and mandatory business closures. In addition, while it has often been reported that restaurants remained open in Sweden, it is rarely mentioned that they actually operated under several restrictions, including mandatory social distancing rules. Retailers, sports clubs, and hair salons were also subject to a set of guidelines.

There's also been a ban on gatherings of more than 50 people, restrictions on visiting care homes, and a shift to table-only service in bars and restaurants. The government has repeatedly described the pandemic as "a marathon not a sprint", arguing that its measures are designed to last in the long term. Sweden's authorities never said achieving herd immunity was their goal, but they did argue that by keeping more of society open, Swedes would be more likely to develop a resistance to Covid-19 (Savage, 2020).

#### Belarus

On 9 April, a mandatory 14-day self-isolation requirement was issued by the government for foreign and Belarusian citizens with either confirmed COVID-19 diagnosis, or the status of first- or second-level contact. The penalties for breaking the requirement included administrative detention, fine and imprisonment (The Government of the Republic of Belarus, 2020).

According to the government's decision Citizens of Belarus, foreigners and stateless persons should be placed on self-isolation in the following cases: if they have a COVID-19 infection; if they relate to contacts: of the first level with persons with COVID-19 infection - within 14 calendar days from the date of the last contact; second level with persons with COVID-19 infection, in the presence of one or more respiratory symptoms - for the period of the indicated symptoms. For this period, people would be issued a certificate of incapacity for work if they, as well as themselves, was payed compulsory insurance premiums. The periods of stay of citizens in self-isolation can be extended by the decision of doctors. Recommendations for seniors and seniors (over 60 years old) on the prevention of coronavirus infection (COVID-19 infection) and Recommendations for social distancing during the period of registration of cases of infection with COVID-19 (coronavirus infection) was adopted by Ministry of Health (Ministry of Health of The Republic of Belarus, 2020).

An analysis of the national restrictions leads to the conclusion that, there are also similarities in the containment measures across the Baltic States. In Sweden, the restrictions were much lower (Bricco, Misch & Solovyeva, 2020). In Belarus, on the other hand, there were mainly recommendations. (Table 1). Color coding refers to strictness of measures implemented in each category. The darker the grey the more stringent is the containment measures, white – no restrictions, O means – open with some restrictions (obligations for service of customers to wear a masks). Lockdown refers to the period of mid-March/beginning June.

Table 1

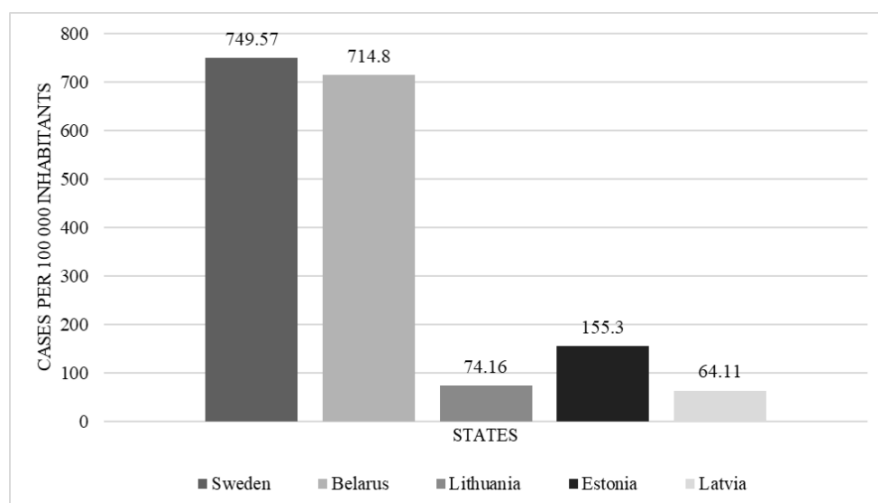
Containment Measures in the Baltic States, Sweden, and Belarus (March – July 2020)

No.	State	Visiting elderly	Closed Borders	Assemblies	Secondary school & higher	Restaurant	Primary Schools & earlier	Retailers	Sports Clubs, Hair Salons
1.	Latvia	X	X	>2	X	Take out only	O	O	X
2.	Lithuania	X	X	>2	X	Take out only	X	O	X
3.	Estonia	X	X	>2	X	Take out only	O	O	X
4.	Belarus	O				O		O	
5.	Sweden	X	Non-EU	>50	X	O		O	O

Source: author's created table partly based on the International Monetary Fund Working Paper (Bricco, Misch & Solovyeva, 2020)

## 2. Health outcomes

As of the 1 August, Sweden's reported Covid-19 cases per capita, also Belarus reported cases, have surpassed Baltic States. (Figure 1). There is robust cross-country evidence that the stringency of containment strategies affects the number of Covid-19 cases.



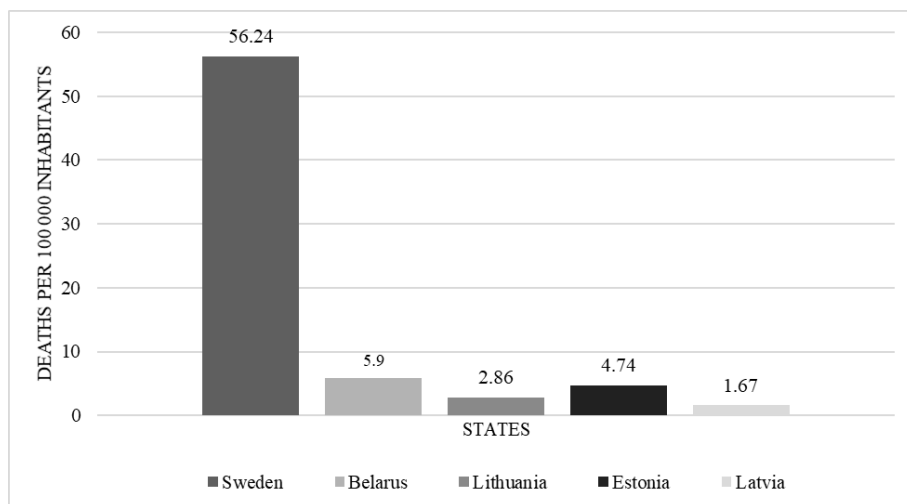
Source: author's construction based on data of the World Health Organization (World Health Organization, 2020)

Fig. 1. Total Number of Reported Covid-19 Cases (till August 1, 2020) per 100 000 inhabitants

If Sweden explained, why it chose the scenario of combating the coronavirus, which provides for the absence of tough measures, then the Belarusian authorities limit themselves only to general statements that they have everything under control. Health Minister Vladimir Karanik noted in this regard that each state chooses its own strategy (Boguslavskaya, 2020).

While Sweden's death toll per capita is much higher than in Baltic States (Figure 24). Errors in the attribution of deaths in Sweden are unlikely as reported Covid-19 deaths explain a large share of currently observed excess mortality, suggesting that official statistics are rather accurate and do not underreport Covid-19 deaths contrary to statistics in some other countries (Bricco, Misch & Solovyeva, 2020).

The difference in numbers in the Belarusian Ministry of Health is explained by the epidemiological surveillance system that has survived since Soviet times, which began to work even before the first cases of infection in the country (Boguslavskaya, 2020).



Source: author's construction based on data of the World Health Organization (World Health Organization, 2020)

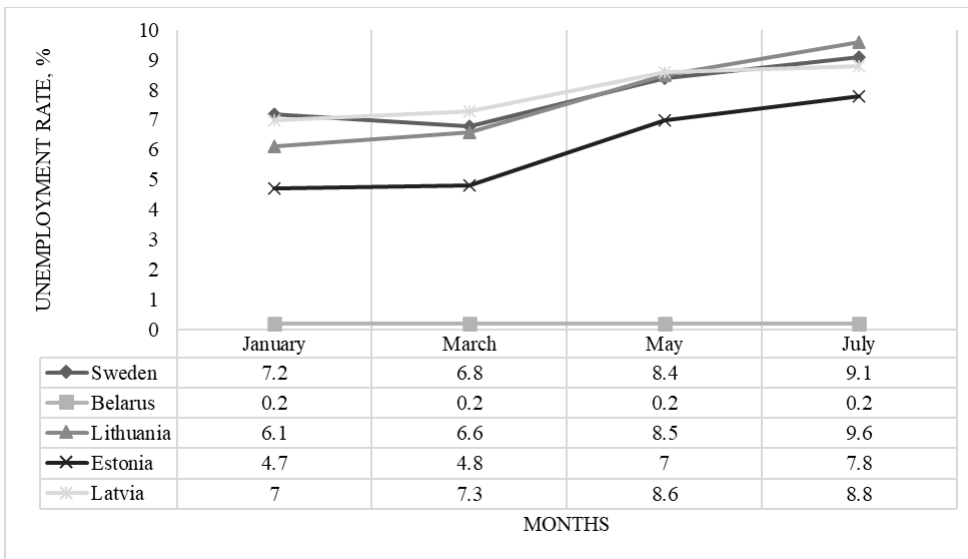
Fig. 2. Total Number of Reported Covid-19 Deaths (till August 1, 2020) per 100 000 inhabitants

When the incidence in Belarus was high, the percentage of deaths among patients with COVID-19 was in sharp contrast to similar data from neighbors, because it was several times less. Let's take Sweden for comparison - a country with a comparable population, the number of cases of coronavirus and the absence, like ours, of strict quarantine. But the digital picture of the pandemic is different there. Firstly, more than 10 times more people died from COVID-19 in Sweden than in Belarus. Secondly, with a decrease in the number of cases in Sweden, mortality also decreases. It is clear, that initially in Belarus the criteria for setting the cause of death were so defined that coronavirus infection was called the cause in exceptional cases. Indeed, as shown, the study of the SATIO company, which studied the perception of the situation with COVID-19 among residents of Belarusian cities, even after contact with infected people, citizens are not ready to go to polyclinics. 73% of those who believe that they have not survived the virus say they are ready to go to a medical institution only after the onset of symptoms, of which 24% - only after serious symptoms. And only 23% of those who think they have carried the virus went to medical institutions. Almost a third of respondents justify hiding the disease (Spasjuk, 2020).

### 3. Effect on Economy

In this subsection, will be consider the effects of containment policies on aggregate economic activity.

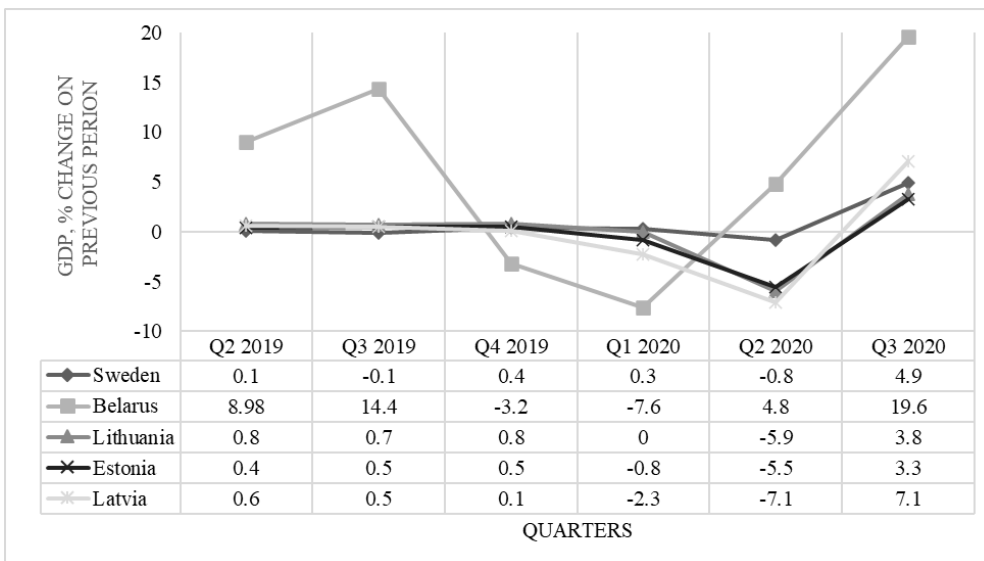
Available data on the number of monthly unemployment rate in countries provide valuable insights into the impact of the crisis and containment policies.



Source: author’s construction based on data of the Eurostat. (Eurostat, 2020)

Fig. 3. Monthly unemployment rate, 2020 (January, March, May, July), as % of active population aged 15 to 74 years

The increase in the number of unemployment rate in Sweden, Lithuania, Latvia, and Estonia, has followed different trends. In Sweden, the increase has been somewhat slower, but Sweden remained on a steady upward trend. In Belarus, unemployment remained stable throughout the period. This could be due to both the absence of Covid – 19 restrictions and the specificities of the economy.



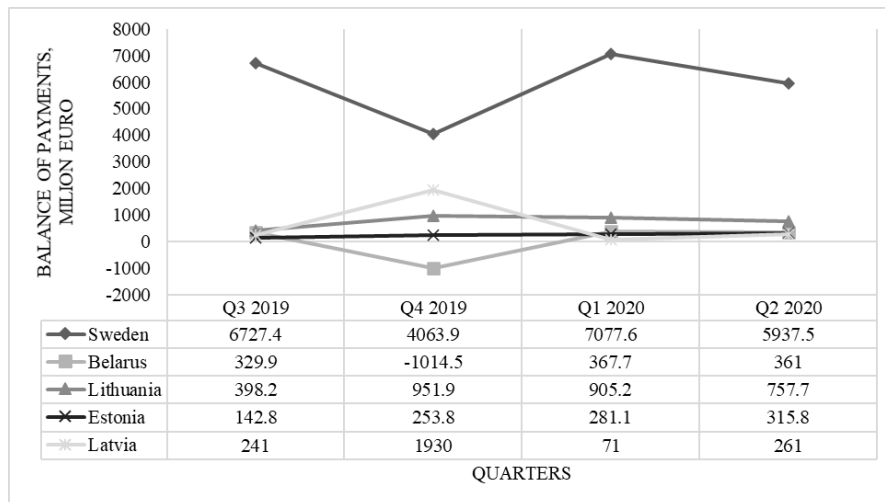
Source: author’s construction based on data of the Eurostat. (Eurostat, 2020)

Fig. 4. GDP Percentage change on previous period, (Q2 2019-Q3 2020)

The growth outcome in the first quarter of 2020 provides some initial clues about the effects of containment policies on economic activity. Till August 2020, economies of all countries faced a challenge, which was also reflected in GDP. According to states released first-half GDP data, the simple average of these estimates is, that a GDP had decline in second quarter, similar way in all States where had restrictions and where had not. Sweden did not record an economic contraction in the first quarter of 2020 contrary to almost all other economies. 2020:Q1 data show positive GDP growth of 0.2 percent QoQ. Obviously, the first quarter coincides with the onset of the crisis, which started to intensify only in March.

2020:Q1 growth outcomes across advanced economies appear to be correlated with the length and intensity of containment measures. However, there remain several caveats, and it is too early to draw definitive conclusions. There is a large variation in growth outcomes across advanced economies that cannot be explained by differences in containment strategies alone, and a range of other factors, including infection rates, supply

chain disruptions or declining exports, may matter as well. The sample size is small, and hence it is not possible to control for confounding unobserved effects (Bricco, Misch & Solovyeva, 2020).



Source: author's construction based on data of the Eurostat. (Eurostat, 2020)

Fig. 5. Balance of payments by country - quarterly data Million euro (Q3 2019-Q2 2020)

The Balance of payments provides harmonized information on international transactions which are part of the current account (goods, services, primary and secondary income), as well as on transactions which fall in the capital and the financial account.

To help prevent the spread of the Covid-19 pandemic, countries around the world have taken a variety of restrictive measures, which have negatively affected international trade in goods.

Amount of the exports and imports fell in all countries. But looking at the international trade balance, it must be concluded that it is sufficiently stable during the period of the restrictions.

The fluctuation of the balance sheet in Sweden and Belarus had occurred before the accession of the Covid -19 and therefore cannot be linked to restrictions.

## Conclusion

At a time when the Baltic States were imposing austerity Covid-19 restrictions in March, April and May 2020, here had a negative impact on the economy during this period. However, the general trend in Sweden, which was not severely constrained, also indicates a deterioration in economic performance over this period.

In Sweden and Belarus, the government did not impose strict restrictions, which was reflected in the many times the number of people infected with Covid -19 compared to the Baltic countries considered. Although the number of cases was similar in both countries, the number of deaths in Sweden was disproportionately higher than in Belarus.

Unemployment is rising in all countries with the same trend, with the exception of Belarus, so it cannot be linked to the government restrictions.

The overall decline in GDP in the first six months of 2020 has been smaller in Sweden than in other countries. In Belarus, on the other hand, changes in GDP are similar to those process in the Baltic States.

Amounts of exports and imports fell in all countries. But looking at the international trade balance, it must be concluded that it is sufficiently stable during the period of restrictions.

Governments should have a long-term plan, this includes continuous revision of the lockdown policies, restrictions, and procedures. The policies should compromise between preventing an over-limit outbreak and mitigating economic loss. Limited capacity is defined as the ultimate capacity for intensive care units in the public health system. Governments should be concerned about finding the optimal planning response and restrictions, which include restricting travel, isolating people with the virus and their contacts, social distancing, growing health system capacity, and others.

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