



COVID-19 IMPACT ON CHINA'S MACROECONOMY AND POLICY RESPONSE

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Brief abstract: The outbreak of COVID-19 in early 2020 was an external shock to China's economic. This article is composed of two parts. The first part of the article is influences of the Covid-19 on China's macro economy and China's countermeasures, this part expounds COVID-19 can affect China's macroeconomic impact in three stages. The second part of the article is financial and taxation measures taken by China to tackle COVID-19, explains the "priority policies" put forward by the STA of China.

SOMMARIO: 1. Covid-19, giustizia distributiva e anziani. – 2. La giustificazione delle scelte allocative in base al documento SIAARTI. 3. Selezione naturale e ruolo del diritto: suggestioni.

1. I would like to start by briefly reviewing the history of COVID-19's impact.

The outbreak of COVID-19 in early 2020 was another external shock to China's economic and social operation after the SARS pandemic in 2003. At a time China has taken effective measures to deal with the COVID-19 crisis and achieved good success, however the spread of the global pandemic became more and more intense, which has brought greater uncertainty to the recovering of the world economy since the financial crisis in 2008. While accurately studying and judging the short-term and long-term impact of the pandemic on China's macro-economy, and carefully choosing policies to deal with the pandemic, we can also notice the systematic issues on Local governance level, focusing on financial and taxation structures which are unsuitable to combat the pandemic as a key part of restructure on a National level to improve and modernize. In addition, we should also pay attention to the impact of the pandemic on the process of globalization, especially on the globalized specialty, industrial supply chain layout and international public goods supply.

● **Influences of the Covid-19 on China's macro economy and our countermeasures**

before the pandemic, China's economy was shifting from a fast growing stage to a high quality development stage, and in the key period of economic structural adjustment, transformation and growth momentum, the economic growth rate slowed down year by year, and the GDP growth rate dropped from 7.86% in 2012 to 6.75% in 2018, and in 2019 it further dropped to 6.11%.

COVID-19 can affect China's macroeconomic impact in three stages.

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The first stage is characterized by a short - term collapse in demand and supply at the beginning of the pandemic. The impact of the decline in demand is first manifested in the catering, entertainment, tourism, travel and other service industries, while the difficulties of returning work and production will lead to a sharp decline in the supply capacity of many industries.

The second stage is the recovery period, which has been effectively controlled, mainly characterized by the full resumption of work, the rapid recovery of supply capacity after the resumption of workforce, and the rebound of demand caused by compensatory consumption. However, part of the consumption during the crisis period cannot be recovered, including the reduction of consumption that cannot be compensated, and the reduction of consumption caused by the decline of income during this period. At this stage, we need to pay special attention to the fact that in the case of economic growth slowdown, we should avoid the impact of short-term demand decline and other factors leading to the economic downturn, forming a long-term negative impact on the economy.

The third stage is the long-term adjustment stage after the short-term impact and in anticipation of the intermittent outbreak in the future, including the development of automation and remote work access development. The accelerated adjustment of globalized specialty and industrial supply chain layout, and the resulting impact on the process of globalization and regional integration.

From the three stages of macroeconomic response measures, in response to the decline of demand and supply in the first stage, China and the major countries affected by pandemic have issued a large number of emergency measures, including not only tax relief, financial subsidies and credit support with the main goal of improving the survival rate of enterprises, but also greater efforts to deal with the expansion of economic recession risk represented by the substantial interest rate reduction in the United States as a result of expansionary monetary policy.

For China, the core of the second stage macroeconomic response policy is to avoid the short-term impact on the economy causing a long-term effect, so more efforts should be made to “stabilizing demand”. Among them, the financial and taxation policy mainly includes measures such as extending the period of tax reduction and exemption, helping enterprises “recuperate” and expanding fiscal expenditure. In terms of scale, macroeconomic policies should be moderate, they should be based on the target of GDP growth, employment before the outbreak of the pandemic, taking into account the rebound of demand brought by compensatory consumption, the expected adjustment of market and the trend of the world economy. However, the gap between revenue and expenditure caused by expansionary financial and taxation policy to deal with short-term external causes can be solved by temporarily increasing the deficit ratio and issuing additional treasury bonds, which has little impact on long-term fiscal sustainability.

After the end of the pandemic, it is expected that the application of new technologies represented by the digital economy will usher in a new climax. At this point, we should take advantage of the situation and continue to stimulate the vitality of the market and further encourage innovation has the core of reform and development. In addition to deal with the long term effect of the pandemic, It is important to focus on the process of globalization, intensify reform, maximize new development, and accelerate the modernization of national governance system and governance capacity to strive for initiative and turn crisis into opportunity.

2. Financial and taxation measures taken by China to tackle COVID-19

Due to the spread of pandemic around the world has resulted in amplified and accelerated the existing problems which already exists in the world economy. The world economy has seen a deep recession and the economic outlook is full of uncertainty. As a result, the

domestic economies of all countries have been seriously weakened. After the outbreak, some international institutions have substantially lowered their world economic growth expectations. On March 2, 2020, the report of OECD pointed out that public health emergency will cause severe damage to global demand and supply, and the growth rate of the world economy in 2020 will reach the lowest level in nearly a decade.

In 2020, Tax authorities at all levels fully implemented the "priority policies" put forward by the STA of China, the implementation of the "four priorities" focuses on, providing preferential policies which should be effectively implanted, the contactless tax service to be strengthened, the overall situation of data services to be strengthened, and the effort of prevention and the spread of disease. The focus was "the implementation of priority policies should be the key, and as a bases to further tax reduction foundations of 2019. Further implement the detailed tax and fee preferential policies, and through research to refine the 28 Policies to cut taxes and fees to ensure that the policy dividends can reach the main market players with the fastest speed and highest efficiency.

I'd like to finish today's presentation by some numbers.

As the result, in first quarter of 2020, the tax policy and administration measures in China have helped alleviate our customers burden by 318.2 billion Yuan (49 billion USD), which in turn helped them to tide over the current difficult time. The total tax and fee cuts surpassed 2.5 trillion yuan for the whole year 2020 (384.6 billion USD).

For this year, China's economic growth rate target has been set at over 6 percent, Premier Li Keqiang said when presenting the government work report to the annual parliamentary session. Last year China set no specific economic growth target for 2020, because of the pandemic reason. However, in 2020, China not only became the only major economy in the world to achieve positive economic growth (2.3%), but also achieved a historic breakthrough of 100 trillion yuan in GDP.

Our development goals and tasks for the year were accomplished, and major headway has been made in China's reform, opening up, and socialist modernization drive.

During the year, not only China was greatly affected by the pandemic known as COVID-19, We are seeing this pandemic continuously spreading across the world. Not only has it effected out daily lives, it has caused both short-term problems to our global economy and which no doubt changing the long-term course of our economy in every country.

I believe every country would react differently to restoring their economy for the future, with no one solution to resolve the same problem. I thank you for giving me the opportunity to share my views and finding of how China has reacted to restoring domestic economy through financial and taxation policies. I'm sure China will continue to refine its support and policies on the road to rebuild its Macro-economy for the long term, whilst ensuring each step is carefully assessed based on experience, data and innovation as the fundamental foundation.