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## SPECIFICS OF MANAGEMENT OF INTERNATIONAL CONTRACTS IN THE CONDITIONS OF COVID-19

### СПЕЦИФІКА УПРАВЛІННЯ МІЖНАРОДНИМИ КОНТРАКТАМИ В УМОВАХ COVID-19

*The article considers the trends of the COVID-19 pandemic impact on the economic activity of certain sectors of the economy, the consequences of quarantine restrictions in the national and world economy. The introduction of quarantine in the economic system provoked a decrease in purchasing power and income, there was a halt in transport and financial operations and communications, there was a need to develop social and medical spheres. There was a reduction in industrial production, small business and trade. Sectors of transport, tourism, hotel and restaurant business underwent crisis changes. This required a redistribution of capital and increased reserves. As a result, it was possible to reduce the rate of decline in key macroeconomic indicators. Some sectors of the economy in global challenges to refocus on digital technologies and successfully apply them. This provoked the development of the markets of online education, gambling, and e-commerce. Such changes have allowed the preservation of international contracts and economic relations. In addition, the current economic crisis has the specifics of a cognitive economy. this involves building direct links between the producer or seller and the end consumer. In the future, the management of international contracts in the post-crisis period will be based on digital communications, availability of IT technologies and logistics of product distribution, socio-psychological and institutional influences.*

**Keywords:** global economy, national economy, COVID-19 pandemic, international contracts, international economic communications.

*В статті розглянуто тенденції впливу пандемії COVID-19 на економічну активність окремих секторів економіки, наслідки карантинних обмежень в національній та світовій економіці. Впровадження карантину в економічній системі спровокувало зниження купівельної спроможності та доходів населення, відбулась зупинка транспортних та фінансових операцій та комунікацій, виникла потреба розвитку соціальної та медичної сфер. Це потребувало перерозподілу капіталу та активізації резервів. В результаті вдалось знизити темпи зниження основних макроекономічних показників. Окремі сектори економіки в глобальних викликах переорієнтуватись на цифрові технології й успішно їх застосовують. Такі зміни дозволили зберегти міжнародні контракти та економічні відносини. В подальшому управління міжнародними контрактами в після кризовому періоду буде базуватись на цифрових комунікаціях, доступності IT-технологій та логістики поширення продукції, соціально-психологічних та інституційних впливах.*

**Ключові слова:** глобальна економіка, національна економіка, пандемія COVID-19, міжнародні контракти, міжнародні економічні комунікації.

**Formulation of the problem.** The unpredictability and riskiness of new economic challenges in the context of the global pandemic and the globalized structural crisis have become determinants in the management of international communications. According to various estimates, the global rate of capital turnover and investment activity decreased by 13 to 32% during the year under knockdown conditions. Such trends require a scientific substantiation of systematic and consistent responses, the search for effective anti-crisis tools to maintain the stability and scale of economic cooperation in international capital turnover.

**Analysis of recent research and publications.** Many publications of international organizations and analytical

and consulting research centers and scientific research are devoted to the problems of economic cooperation in the context of the COVID-19 pandemic. The most relevant are the published reports of the World Trade Organization (hereinafter WTO) [1], the World Bank [2], the International Monetary Fund [3], the World Economic Forum [4], the domestic State Statistics Service [5] and the National Bank of Ukraine (hereinafter NBU) [6]. Among the scientific publications on the formalization of tools for managing international contracts in a pandemic should be noted the works of Blinov A. [7], Danilenko Y. [8], Shramko Y. [9], Dolbneva D. [10].

However, analytical and statistical reports do not provide a complete picture and do not reveal the prospects of

systematization, generalization and formalization of new knowledge to minimize the negative impact of the global crisis on structural transformation, restructuring of trade, transport, logistics and redistribution of capital in a globalized economic system.

**The aim of the study** is to formalize the patterns and formalize the specifics of the management of international economic communications in the global pandemic COVID-19.

**Results.** The global economy in the pandemic, which was recognized and introduced a total quarantine in early 2020, has affected the economic activity of all national economies without exception. If in December 2019 – February 2020 due to the spread of COVID-19, restrictions on economic relations were imposed only on China, then, with the spread of the disease, in the spring of 2020, all countries of the world introduced a full lockdown. As a result, the world economy has shown a slowdown to 2.4% in 2020 against 2.9% in 2019 [11]. As a result of the introduction of lockdown, the following economic sectors of national economies have completely stopped:

- transport (for example, in the world in 2020 there was a drop in air traffic by 60% [5], and in maritime transport in the first quarter alone lost 4.5-5 billion dl. [11]; in the Ukrainian economy in 2020 there was a decrease in freight turnover by 12% and passenger turnover by 55% [5]);
- international trade and logistics;
- tourism, incl. hospitality business;
- trade;
- production in the field of consumer goods and services.

Industries such as mechanical engineering, construction, light, food, fuel, and metallurgy have reduced production due to declining demand and the need to introduce quarantine restrictions (for example, reducing the number of workers in production facilities, long time to develop online technologies).

Only the IT sector and energy due to growing demand for their products showed growth in the first half of 2020. Also, positive dynamics after the first wave of lockdowns was observed in the fields of medical pharmaceuticals and equipment; online education; gaming IT business.

In the first half of 2020, Ukraine's total trade turnover amounted to \$ 47.3 billion. Imports of goods to Ukraine were imported for more than \$ 24.3 billion, which is 12% less than in the first half of 2019 or \$ 3.4 billion. Ukraine amounted to \$ 23 billion, which is 6% less than in 2019 [5].

In general, according to IMF and NBU estimates, due to the COVID-19 pandemic and the introduction of quarantine measures, the fall in Ukrainian GDP is 6-6.5%, and in general the capital of the domestic economy decreased by 8.2% [3; 6].

After a complete lockdown in March-May 2020, the domestic economy began to gradually recover under adaptive quarantine. According to World Bank estimates, the rate of GDP decline in general in 2020 decreased to 4.5% per year [2] and to 2.8% in January-December 2021 [5]. The recovery of the consumer sector of the economy has begun, in particular due to rising prices and gradual intensification of trade increased by 7.9% [2].

The recovery of household demand against the background of improving consumer sentiment and wage growth, as well as the resumption of non-food stores and markets led to a slowdown in the decline

in retail trade (up to 3.1% yoy) [5; 6]. The intensification of activity led to a slowdown in the decline in electricity production (up to 8.2% yoy) and freight turnover (up to 26% yoy), and at the same time the resumption of wholesale trade growth (1.6% yoy) [5; 6]. Despite the slowdown, the decline in passenger turnover remained significant (up to 92.3% yoy) due to the maintenance of restrictions on rail and local transport for most of the month [5; 6].

At the same time, due to the decline in the production of all livestock products, the decline in agriculture deepened to 4.0% yoy. The increase in capital expenditures of the budget contributed to the slowdown in the decline in construction (up to 2.6% yoy) [5; 6].

According to international organizations, the recovery of economic systems in 2021 will depend on the pace of vaccination and the need to introduce lockdowns. After the abolition of the lockdown, there is an intensification of consumer demand, an increase in the volume of products / services provided. Such areas include trade, tourism, hotel business. However, industry and transport are recovering at a slower pace. Such trends are provoked by different capital intensity, investment conditions and the specifics of scale and ownership. Accordingly, international communications formalized in international agreements are characterized by direct dependence on the described trends. Thus, according to analytical reports of the World Bank, global GDP in 2020 decreased by 5.2% [2].

However, the economic risks of further economic crisis remain high. However, in the conditions of adaptive quarantine and opening of borders after vaccination, the global economy is projected to grow to 6%, and the Ukrainian to 4% (with a budget deficit of 5.4%) in 2021 [3]. Noting the prospects of rapid acceleration of vaccine-producing countries to 4.5-6.5% growth, the World Bank predicts a further reduction in the international competitiveness of the Ukrainian economy [2] (Figure 1).

If we analyze in detail the structure of international contracts, we can see that the largest importers are China (15% of total imports), Germany and the Russian Federation (9% each); China also dominates export operations (13% of total exports), followed by Poland (6%).

Considering in more detail the trends of international relations and agreements of the Ukrainian economy in the pandemic COVID-19, we must state the following trends:

- reducing the volume and cost of capital in international flows;

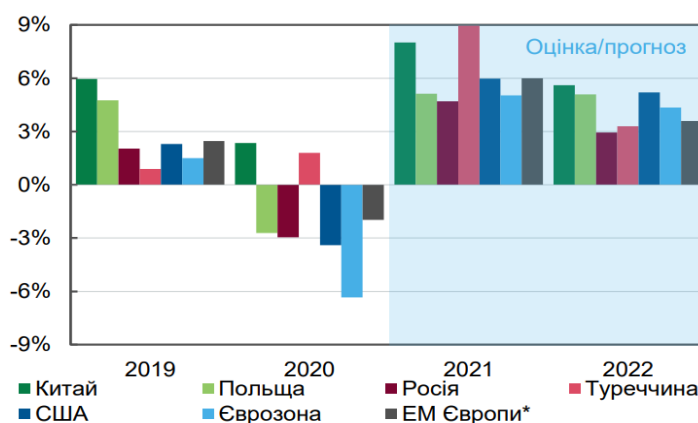


Figure 1. Dynamics of GDP of partner countries of Ukraine

Source: [2]

- minimization of investment risks through mechanisms of their accumulation in stable sectors or in sectors with short-term turnovers, respectively, reduction of interstate investment flows;

- reduction of both national and international trade, tourism, transport and logistics sectors of the economy;

- structural imbalances in industry and construction, which further provoke a transformation in the distribution of capital;

- rising unemployment and downsizing of small businesses;

- acceleration of knowledge and information sectors of the economy, which are developing technologies for online communication, education, media and gaming business;

- growing demand for electricity products;

- mass digitalization of international contracts through the use of direct trade relations between producers and consumers through the digitalization of markets and trade relations;

- intensification of online services of the financial system, but reduction of exchange transactions and transactions with POS-terminals.

The described influences on international contractual relations in economic processes in the conditions of the COVID-19 pandemic provoke such structural changes as:

- in comparison with the economic crises, which occurred under the long-term influence of negative factors, the globalized economic system reacted in a few weeks to quarantine restrictions and stopping transport by collapsing markets and freezing capital flows;

- social and psychological human behavior has become a determining factor in economic activity, which is provoked by the personalization of IT communications;

- global institutional regulators have played a key role in controlling and motivating influences, allocation of resources, setting economic priorities;

- massive reduction in industrial production, provoked by quarantine restrictions, led to a decrease in demand for oil and chemical products;

- structural disparities in the financial sphere, which were provoked by growing deficits in national economies and their external debt; the need to redistribute financial resources to the medical system and social protection; limiting the outflow of capital from countries and foreign investment; acute demands for the transformation of international monetary support and redistribution of financial flows.

Such systemic short-term changes will have strategic consequences and long-term effects on international contractual relations. The specific conditions for the restoration of pre-crisis scales of international contract communications are:

- availability and scope of vaccination of the population. At the same time, the COVID-19 vaccine-producing countries are projected to develop faster than others, as they will receive financial resources and an already established logistics network;

- the number and scale of the next waves of the pandemic: even in the presence of mass coverage of the population by the first waves of COVID-19, mutated strains provoke new lockdowns and regional economic constraints;

- the effectiveness of vaccination, which will be able to open borders and create conditions for the restoration of global economic stability;

- political activity and institutional support of individual states in attracting international aid, participation in institutional interregional stabilizing organizations;

- the growing demand for virtualization of financial transactions, digitalization of markets and personalization of trade has provoked the development of e-commerce, direct sales and expansion of logistics services. Together, this has transformed the trade, social and transport spheres of international relations.

Thus, the specifics of international contract management in the context of the COVID-19 pandemic are shaped by non-economic, social, digital and institutional influences. Despite optimistic predictions about the positive impact of vaccination on the acceleration of international economic cooperation, restraining factors remain restrictions on border crossings, uneven distribution of vaccines, new waves of mutated COVID-19 virus, socio-economic challenges to reduce income and investment.

**Conclusion.** The general economic crises and imbalances caused by the global COVID-19 pandemic have generally negatively affected the scale of international contracts and the functioning of both national economies and international economic entities. The projected recessions are compared to global economic crises, but the World Bank and the IMF have seen much stronger negative effects. This is due to the new challenges and specificity of economic transformations under the influence of the pandemic. Thus, the main characteristics of international contractual communications include the critical speed of the global crisis; structural restructuring of markets and the irreversibility of their digitalization; decline in industrial production and cessation of interstate transport; virtualization of financial and trade spheres.

The noted specifics in combination with socially-oriented and institutional transformations due to regional differentiation of vaccination campaigns provoke unpredictability and new challenges in international communications. Only the growth of online services and the development of the IT sphere, today, are the motivating conditions for the restoration of pre-crisis scales of international economic cooperation.

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