

## 7. COVID-19 EPIDEMIC AND WORLD TRADE

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### ABSTRACT

*The world is witnessing the carnage of the novel coronavirus (COVID-19) pandemic. There has been a significant loss of human lives and the global economy has also felt the impact severely. Global markets are in free fall with supply-chain disruption and manufacturing falling to the lowest levels in decades. Reduced international trade, falling PMIs across the globe and deep cuts in GDP forecasts for the year indicate we have entered the anticipated recessionary period. With indices fluctuating wildly and crude oil futures hitting negative prices on the dollar, this is uncharted territory for traders and policymakers alike.*

*This working series is a three-part analysis of Indian exports, particularly in terms of the current tumultuous scenario and the likely expected impact on global trade in the coming months. This is the second part of the series, which tries to analyse the disruption in supply chains for global trade in the near term, delving deep into the Indian export basket and its performance over the last decade. This paper describes the impact of Covid-19 epidemic on international trade and the possible ways in which the disease can be controlled.*

**Key Words: Covid-19, epidemic, lockdowns, world, trade**

### Introduction:

A key thing to note is that exports have fallen across almost all of the commodity groups. Some commodities have registered a decline by over 30-40%, particularly engineering goods, textiles, meat, cereals, plastics and chemicals, which have been the major growth

drivers of exports in recent years. As an immediate aftermath of the spread of the COVID-19 pandemic to multiple countries, global demand has fallen significantly and many orders have been cancelled. Further, the disruption of supply chains due to the ongoing lockdown has aggravated the poor performance of Indian exports and the

situation is likely to worsen in the coming months, before recovery starts. India is an important trading partner with many countries across the world. Although running a trade deficit, the gap between the country's imports and exports has been steadily declining in recent months. Due to a crash in global oil prices, this trend is likely to continue further too. India's supremacy in specific sectors such as mineral fuels, gems & jewellery, pharmaceuticals, chemicals, textiles, engineering goods and food commodities has contributed to it becoming a key part of the global value chain.

A closer analysis reveals that while India exported to over 200+ geographies in 2019, trade was largely concentrated in a handful of them. In fact, India's top 10 trading partners constitute nearly 50% of all exports originating from the country. Such geographical concentration may pose a risk for Indian exporters in the current situation, given that exports recovery will largely be led by an increase in demand from these countries particularly. There may be a silver lining here as well -- with many of these countries now looking at

reopening their economies, there could be a rise in demand in the coming weeks. Indian exporters should watch developments in these geographies closely, and be prepared to capitalise on any opportunity that presents itself.

To further understand Indian exports, we have tried to categorise the Indian exports basket into three buckets, namely Essential, Non-Essential and Luxury Goods. This categorisation remains very broad, at the HS-2 level, and has been done to the best of our understanding and may or may not reflect the true micro picture on the ground. For simplicity, the buckets have been defined as per the following pointers, applicable especially to the current state of affairs in the wake of the current COVID-19 pandemic.

### **Literature Review:**

Studies on impact of covid-19 on international trade has been carried out by various workers which include the studies of Maliszewska Maryla *et al.*, (2020) which exhibit the Potential Impact of COVID-19 on GDP and Trade. Dubey Pranjal (2020) has analysed the Impact of

COVID-19 on Indian Exports and Global Business - Part 2. Trade and the COVID-19 crisis in developing countries has been investigated by Espitia Alvaro *et al.*, (2020). Blenkinsop Philip (2020) has suggested that Coronavirus could reduce world trade by up to a third, according to the WTO. And also the Impact of COVID-19 on International Trade has been recently investigated by Baker Paul & Esparza Eduardo (2020).

#### **Conclusion:**

The COVID-19 pandemic has affected international relations and caused diplomatic tensions. The diplomatic relations have been affected due to the tensions around trade and transport of medicines, diagnostic tests and hospital equipment for coronavirus disease 2019. Leaders of some countries have accused other countries for not containing the disease effectively and resulting in the uncontrolled spread of the virus. Developing nations in Latin America and Africa cannot find enough materials for testing for coronavirus disease, partly because other countries in

Europe and the United States and outspending the resources.

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