Impact on International Trade during COVID-19 Pandemic: A Case Study of India

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Introduction

The Secretary-General Mukhisa Kituyi has rightly stated regarding COVID-19, during the United Nations Conference on Trade and Development (UNCTAD), that the "economic fallout from the shock is ongoing and increasingly difficult to predict, but there are clear indications that things will get much worse for developing economies before they get better" (UNCTAD, 2020). The present article is focused on the impact of COVID-19 on India's international trade and an effort has been made to highlight the expected impact under the limitation of availability of detailed data and information. Quantitative forecasting or prediction in a numerical way is not possible at this time due to said limitation hence the outcome is more indicative and based on perception.

As the COVID-19 is spreading, governments across the world took actions and imposed lockdowns. India imposed complete lockdown restrictions on 22 March having a population of more than 1.3 billion. As of now, more than half of the world population is under lockdown. Many production processes and economic activities are getting affected as a result of the lockdown; thus, its economic cost is huge. For example, Thunstrom *et al.* (2020) estimate the cost of lockdown in the US at 7.2 USD trillion. Another scholar, Fernando estimates the expected downfall in Indian GDP in three different scenario-based on the degree of influence as 1.4%, 3.1%, and whooping 5.3% downfall due to COVID-19 during 2020 (Fernando, 2020). The decision to unlock will end up with complex political, health, social, and economic issues, and finding a way forward to streamline them will be a more crucial phenomenon. A major risk exists that once the pandemic slows down or appears to be under control and lockdown measures are lifted, new waves of Covid-19 reappear (Gossner, 2020). The 20th century has known three influenza pandemics: the 1918 'Spanish flu', the 1957 'Asian flu', and the 1968 H3N2 'Hong Kong flu'. Later, the 21st century has already witnessed the 2009 'Swine Flu'. These four pandemics came in waves, with subsequent waves being more deadly than the first (Miller *et al.*, 2009). COVID-19 is the most challenging and destructive epidemic in terms of drastic changes in social behavior, economic activities, and environmental issues. To this

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effect, the objective of this commentary is to describe the effects of COVID-19 on the world economy in general and the Indian economy in particular with special reference to India's international trade and related measures. To this end, a descriptive and exploratory research approach has been followed in discussing the impacts and related aspects to give elementary research or study. Observational methods, secondary data, and expert opinion are prominent aspects of the methodology adopted to develop an early study and provide the basic research framework for further work and analysis.

Discussion and Descriptive Representation

India is not an exception in terms of economic outcomes and linkage. The rate of conversion may depend on the COVID-19 effects, control, and subsequent socio-political bill along with the trade-off between 'human capital and capital' or 'human health and economic health'. "From the economy's point of view, the lockdown undoubtedly looks costly right now, but compared to the lives of Indian citizens, it is nothing" (Original in Hindi, Translated From Prime Minister Narendra Modi's Speech to the Nation, 10 am, 14 April, 2020). It is a mammoth task to say firmly about the magnitude of the expected impacts but certainly, the direction is clear. The International Monetary Fund (IMF) projections of economic growth are indicating the disruptive impacts of a pandemic for the financial year ending 2020 and 2021 in Table – 1 below.

Table 1: Disruptive Impacts of Pandemic – A Projection (2020-2021)

Region	Year			
	2018	**2019**	**2020 (Projected)**	**2021 (Projected)**
World Output	3.6	2.9	–3.0	5.8
Advanced Economies	2.2	1.7	–6.1	4.5
Emerging Market and Developing Economies	4.5	3.7	–1.0	6.6
India	6.1	4.2	1.9	7.4
China	6.7	6.1	1.2	9.2
World Trade Volume (goods and services)	3.8	0.9	–11.0	8.4

Source: World Economic Outlook, (IMF, April 2020).

The picture is clear that the world output is expected to decrease by (-) 3% and is worse than the global economic recession of 2008-09, while the impact is severe for advanced economies which are projected for a deep downfall of (-) 6.1% even if they are resource-rich on both economic and human health infrastructure fronts. The projection table is showing positive (though the figure is much less than the average growth rate of both nations during a couple of years) for China and India. The positive sides for India are many which include the dominant service sector - compared to the manufacturing sector, it is less affected and one of the reasons among many is that work from home is possible during lockdown up to a certain extent. More than 50% of the population engaged in the primary sector which is majorly away from the core urban area (urban areas are most affected by pandemic as compared to rural) and thereby, considered as one of the safe zones in economic fluctuations. It may have the advantage driven by the demand of the economy besides the resilient socio-economic setup.

Surprisingly, the top ten nations affected more by COVID-19 are more or less similar to the list of the top ten largest economies in the world. The major economies like the US, China, Japan, Germany, Britain, France, and Italy are all in the top-ten most affected by the pandemic. The last few days or a couple of weeks had shown an exponential growth of cases in the G7 economies (US, Canada, Japan, Germany, Britain, France, and Italy). G7 countries account for approximately 60% of world supply and demand (GDP), 65% of world manufacturing, and 41% of world manufacturing exports. To paraphrase an especially apt quip: when these economies sneeze, the rest of the world will catch a cold. So, their woes will produce 'supply-chain contagion' in virtually all nations (Mauro, 2020).

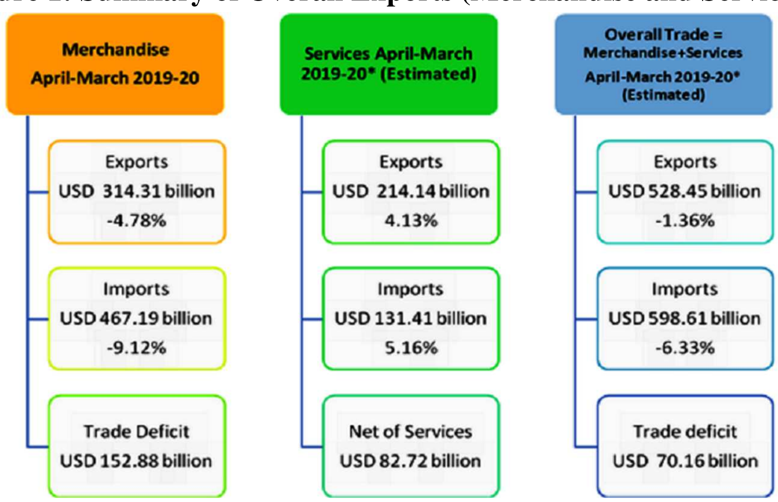
Interdependencies among the economies and various linkages in the supply chain whether it is due to supply shock or demand shock have been affecting the international trade of goods and services. It seems at this point unlikely that COVID-19 would hit the world economy as hard and as broadly as the Global Crisis did in 2008-09, but the evidence from that experience provides an outer limit on the range of likely outcomes this time (Tomura, 2020). The growth rate of international trade in goods and services was 3.8% during the financial year 2018, which dropped down to 0.9% in the 2019/20 Fiscal Year (FY) during the last quarter because of the pandemic. The projections are given by IMF (as shown in Table – 1 above) based on various impacts are horrible that world trade volume in goods and services will likely to dropdown by monstrous (-)11% indicating expected extreme impactful and miserable outcome in international trade during the financial year 2020, while the projection for the successive financial year is hopeful and positive with 8.4% growth rate. Similarly, UNCTAD and WTO showed their concern in various studies and reports that the pandemic will inflict international trade so the growth of it. According to the new analysis titled 'The COVID-19 Shock to Developing Countries' of UNCTAD, that "towards 'whatever it takes' program for the twothirds of the world's population is left behind”. Commodity-rich exporting countries will face a USD 2 trillion to USD 3 trillion drops in investments from overseas in the next two years while IMF estimates as shown in Table - 1 are firm on a positive growth rate for world trade during 2021. The time required in recovery will affect or restrict the new avenues which generate the thrust in future trading aspects. The disruption and its cruel impacts on international trade seem to be visible even after it. The said momentum economies need to regain like before which depends on comparative situation or control over the COVID-19 across the nations or trading partners. Such disruptions are not only a big threat to food security across the globe but they create a big halt in the global economy. According to Japanese Finance Minister Taro Aso, “The spread of the new coronavirus is a public health crisis that could pose a serious risk to the macroeconomy through the halt in production activities, interruptions of people’s movement and cut-off of supply chains” while attending the G-20 gathering in Riyadh, Saudi Arabia on February 24, 2020.

The rapid spread of the novel coronavirus globally had already raised the prospects of a hit to the Indian economy via weaker exports and disrupted imports. With major economies of the world slipping into a ‘near-halt’ due to pandemic coronavirus, Indian exporters find themselves in a state of turmoil as trade in the country’s top destinations is paralyzed, making it imperative for an urgent relief measures for the exporting industries (Engineering Export Promotion Council (EEPC) of India said on 16 March, 2020). The said expectation was primarily dependent on the two aspects of the supply chain and early panic of the pandemic in trading nations. The US, UAE, Germany, UK, Singapore, Italy, and China, among others, are the largest contributors to India’s basket of merchandise exports which are ahead of India on such a pandemic timeline. The situation was corroborated by the EEPC Chairman Ravi Sehgal while saying, “Trade is crippled in most of these destinations due to a near-collapse of the global supply chain even as the cargo movement has stopped. The warehousing capacity is over-stretched with severe blocking of export finance. The international shipping lines are affected. Even the urgent and less bulky cargo through air routes is paralyzed with the airlines trimming their operations.”

Results

To analyze the impact of COVID-19 on India’s foreign trade, it is desirable to cover the major trade items which are prominent in ‘Export’ and ‘Import’. For India, the impact is estimated to be the most for the chemicals sector at USD 129 million, textiles and apparel at USD 64 million, the automotive sector at USD 34 million, electrical machinery at USD 12 million, leather products at USD 13 million, metals and metal products at USD 27 million, and wood products and furniture at USD 15 million (The Economic Times, 5 March, 2020). The same article further claimed that among the "most affected economies are the European Union USD 15.6 billion, the United States USD 5.8 billion, Japan USD 5.2 billion, South Korea USD 3.8 billion, Taiwan Province of China USD 2.6 billion and Vietnam USD 2.3 billion". The 2% contraction in China's output has ripple effects through the global economy and, thus, has caused an estimated drop of about USD 50 billion across countries (UNCTAD, 2020). The most affected sectors, according to UNCTAD, include precision instruments machinery automotive and communication equipment. The data of selected and prominent lines as in ITC or commodity-specific analyses for India's international trade are presented in Figure 1 below.

Figure 1: Summary of Overall Exports (Merchandise and Services)[1*]



Source: Press Information Bureau, 15 April, 2020.

It is depicting that India's overall exports (Merchandise and Services combined) in April-March 2019-20* are estimated to be USD 528.45 billion, exhibiting a negative growth of (-) 1.36% last year over the same period. Overall imports in April-March 2019-20* are estimated to be USD 598.61 billion, exhibiting a negative growth of (-) 6.33% over the same period last year (Bureau, 15-April-2020).

Merchandise Trade - Exports (including Re-Exports)

Exports during March 2020 were USD 21.41 billion, as compared to USD 32.72 billion in March 2019, showing negative growth of (-) 34.57 % Year-over-Year (YoY). The said decline

[1] Note that the latest data for the services sector released by Reserve Bank of India (RBI) is for February 2020. The data for March 2020 is estimation, which will be revised based on RBI's subsequent release.

is mainly because of the ongoing global slowdown, which is further aggravated due to the COVID-19 crisis. Except for Iron ore with a positive growth of 58.43%, all other commodities/commodity groups have registered negative growth in March 2020 on a YoY basis. The top in negative list are Oil meals (-69.85%), Meat, Dairy and Poultry Products (-45.48%), Engineering goods (-42.32%), Gems and jewelry (-41.05%), Leather and Leather Products (-36.78%), Plastic and Linoleum (-35.67%), RMG of all textiles (-34.91%), Carpet (-34.72%), Mica, Coal and other ores, minerals including processed minerals (-34.06%), Tea (-33.74%), Other cereals (-33.42%), Organic and inorganic chemicals (-32.88%), Cotton yarn/fabrics/made-ups, Handloom products etc. (-32.16%), Petroleum products (-31.12%) and Rice (-28.28%). Non-petroleum, Non-Gems, and Jewelry exports in March 2020 were USD 16.90 billion, as compared to USD 25.68 billion in March 2019, exhibiting a negative growth of (-) 34.19%.

The cumulative value of exports for April-March 2019-20 was USD 314.31 billion, but it was USD 330.08 billion during April-March 2018-19, registering a negative growth of (-) 4.78%. Non-petroleum, Non-Gems, and Jewelry exports in April-March 2019-20 were USD 235.73 billion, as compared to USD 243.27 billion for the corresponding period in 2018-19, which shows a decrease of (-) 3.10%.

Merchandise Trade – Imports

Imports during March 2020 were USD 31.16 billion, which was 28.72% lower than imports of USD 43.72 billion during March 2019. Major commodity groups of import showing negative growth in March 2020 over the corresponding month of last year are Pearls, Precious and Semi-Precious Stones (-53.46%), Machinery, Electrical and Non-Electrical (-31.72%), Electronic Goods (-29.09%), Coal, Coke, Briquettes, *etc.* (-23.54%), and Petroleum, Crude and Products (-15%). Also, Oil imports in March 2020 were USD 10.01 billion, 15.00% lower compared to USD 11.78 billion on a YoY basis. On the other hand, non-oil imports in March 2020 were estimated at USD 21.15 billion, 33.78 % lower in comparison with USD 31.94 billion during March 2019, Non-Oil and Non-Gold imports were USD 19.92 billion in March 2020, recording a negative growth of (-)30.47%, as compared to USD 28.65 billion in March 2019 while a rise in import in March 2020 was witnessed only in Transport equipment, which registered a growth of 11.94% over March 2019.

The cumulative value of imports for the period April-March 2019-20 was USD 467.19 billion whereas it was USD 514.08 billion during April-March 2018-19, registering a negative growth of (-)9.12%. Non-oil imports in April-March 2019-20 were USD 337.76 billion which was 9.49% lower compared to USD 373.16 billion in April-March 2018-19. Non-Oil and Non-Gold imports were USD 309.53 billion in April-March 2019-20, recording a negative growth of (-)9.03%, as compared to USD 340.25 billion in April-March 2018-19.

Trade-in Services - Exports (Receipts) and Imports (Payments)

As per the latest press release by RBI (RBI, 15 April 2020), exports in Services during February 2020 were USD 17.73 billion, which registered a positive growth of 6.88% from February 2019. The estimated value of export services for March 2020[2] is USD 17.69 billion. Similarly, imports in February 2020 were USD 11.07 billion registering a positive growth of 12.82% in comparison with February 2019. The estimated value of import services for March 2020[3] is USD 10.97 billion.

Initially, it was expected and predicted that the impact on perishable items such as seafood, fruits, vegetables, and non-vegetarian items will be less and the alternative to export them to other markets can be explored instead of China especially for shrimp. But soon such projections have been disappearing and proven wrong when the COVID-19 became a global pandemic instead of local as was expected in China only. The same is applicable at this point because claiming anything firmly is still too early to say in such mid-way where only expectations are prominent instead of the unknown reality. Till 21st of March, the biggest concern was to deal with those trading partners who were affected by the pandemic at that time; after this, however, a domestic measure of lockdown is playing a different role in international trade which can be divided into two broad categories: loss due to inability and fear of losing due to further conditional restrictions.

Conclusion and Recommendations

As of now, the relative position is not clear as to where a lot will go which is depending on how COVID-19 will be overcome and it is purely depending on medical science in terms of inventing a vaccine or a defined way of cure. Hopefully, it will end very quickly but if not the impact can be severe and will have long-term impacts. The estimation will again be proven wrong but of course, the direction is defined and the magnitude is the function of time, the recovery, and restrictions over COVID-19. It is recommended that empirical research design

[2]The latest data for the service sector released by RBI is for February 2020. The data for March 2020 is estimation, which will be revised based on RBI's subsequent release.
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and subsequent analysis may proceed to identify the cause and effect relationship. This study may further extend to identify the developmental goal in the post-COVID situation and related policy issues.

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