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TRADE RELATION DURING CORONA -VIRUS PANDEMIC

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ABSTRACT

The World Health Organisation (WHO) classified COVID-19 a worldwide pandemic in March 2020. It quickly expanded to practically every corner of the globe, impacting nearly every country. COVID-19 triggered a global health disaster, resulting in millions of illnesses and deaths.

Vulnerable people, such as the elderly and those with underlying medical issues, were more vulnerable. The epidemic also wreaked havoc on the *global economy*. The fall in international trade in 2020 was comparable to the 2008/09 global financial crisis and far worse than the 2015 recession. The COVID-19 pandemic's had a significant and far-reaching influence on *international trade* such as lockdowns, travel restrictions, and lower consumer spending all contributed to recessions in many nations and substantial job losses. These consequences were felt across several industries, with both short-term disruptions and long-term structural changes.

While its influence grew over time and varied by location or sector. While some industries were severely impacted, others were able to adapt and even saw chances for expansion. Furthermore, the pandemic's long-term consequences on global commerce are still being felt as businesses and governments adjust to the new normal.

Keyword: Covid-19, International trade, Global economy etc

INTRODUCTION

International trade is the exchange of commodities and services across international borders between nations or regions. It is an essential component of the global economy and has long been a significant engine of economic growth and development. International commerce helps nations to get access to products and resources that are not easily available inside their own borders, as well as to specialise in the production of commodities and services in which they have a competitive advantage.

Countries might specialise in the production of commodities and services in which they have a competitive advantage through international trade. It allows companies to offer their products and services to a wider audience by providing access to a worldwide market. This larger market size may result in increased sales and profits. Different countries' economic growth rates differ significantly, there are nations which are developed, others that are developing, and some that are underdeveloped: these underdeveloped and developing countries must rely on developed countries for financial assistance, which fosters international commerce.

The COVID-19 epidemic occurred in December 2019, and since then, more than 600 million individuals have been infected with the virus, with around 6.5 million fatalities worldwide, according to WHO statistics as of September 30, 2022. Daily reports of persons being sick and dying have been increasing and decreasing, and the numbers vary by nation. The Covid epidemic has significantly disrupted world trade. Global trade declined by 8.9% in 2020, the largest fall since the global financial crisis. The coronavirus illness (COVID-19) has significantly reduced global commerce in products, trade in services, and foreign direct investment, particularly in the second quarter of 2020.

Many nations implemented export limits on crucial medical supplies and food goods to maintain domestic supply, that resulting in trade tensions and disruptions. COVID-19 vaccine manufacturing and distribution became a key focus in global commerce, with certain nations suffering access issues due to supply chain bottlenecks and export prohibitions.

RESEARCH OBJECTIVES

1. To examine the state of international trade during the COVID-19 pandemic.
2. To examine the impact of covid-19 pandemic on various nations.
3. To examine the worldwide recovery of international trade post the outbreak of the epidemic.

RESEARCH METHODOLOGY

Journals, websites, newspaper articles, eBooks, and other *secondary sources* of data are employed for research purposes.

ANALYSIS

International trade during the COVID-19 pandemic.

COVID-19 spread resulted in social isolation and lockdown measures. These policies limit people's mobility in the workplace. School closures require some employees to miss work in order to care for their children. Death and protracted sickness have a direct impact on the workforce. These adjustments diminish the supply of commodities and make them less price elastic, causing the country's supply curve to move higher and steeper. The COVID-19 damage and consequent shutdown orders also affect transportation sectors in exporting nations, raising export costs by increasing port and terminal handling fees.

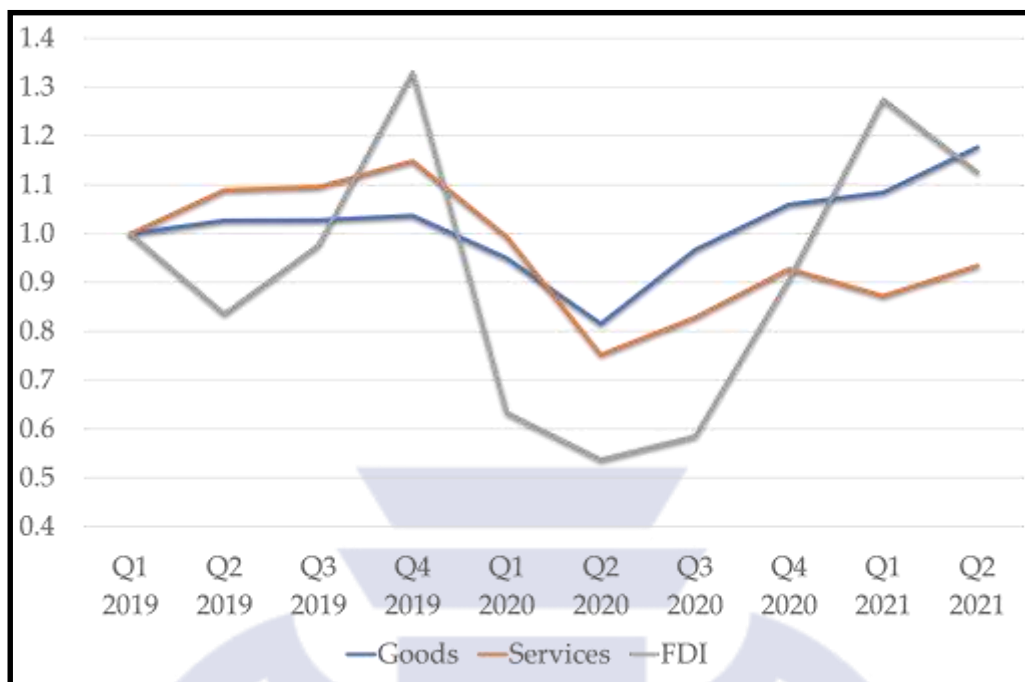
It is inevitable that COVID-19 damage in an exporting nation reduces the scale of manufacturing, hence limiting export supply. In terms of the magnitude of supply shocks, there will be industry heterogeneity. For example, supply shocks will be less in sectors producing vital goods such as food and medicine than in businesses producing non-essential goods such as vehicles and machinery.

This is because nations are attempting to preserve the supply of essential items, and lockdown orders such as plant interruption are rarely imposed on makers of these products.

Some of the most significant consequences of the coronavirus on international trade are:

- **Problems with worldwide Supply networks:** The pandemic impacted worldwide supply networks, mostly due to lockdowns, quarantines, and movement restrictions. This hampered the movement of commodities and raw materials, resulting in delays and shortages in a variety of businesses.
- **Lower Global Trade Volume:** Global trade volume decreased significantly, especially during the early months of the epidemic. Border closures, decreased demand for non-essential commodities, and transportation issues all contributed to this downturn.
- **Changes in Consumer Behaviour:** During the pandemic, changes in consumer behaviour led to modifications in demand patterns. Medical supplies, personal protective equipment (PPE), and technology for remote work and entertainment were in high demand, while travel and tourism-related goods and services were in decline.
- **Trade limits:** To secure local supply, several nations implemented export limits on key medical supplies and food goods, resulting in trade tensions and disruptions.
- **Impact on Services Trade:** Due to lockdowns and travel restrictions, the services industry, particularly tourism, travel, and hospitality, was badly impacted. The fall in international travel has a substantial impact on tourism-dependent countries.
- **Vaccine-Related trade:** Due to supply chain bottlenecks and export prohibitions, the manufacture and distribution of COVID-19 vaccines has become a key focus of international commerce, with certain nations encountering difficulty in getting vaccines.
- **Policy Responses:** To minimise the economic impact of the epidemic, governments launched a variety of policy measures, including stimulus packages, financial assistance for afflicted industries, and trade liberalisation measures.

We will concentrate on global trade in products, trade in services, and foreign direct investment (FDI) because these were the most hampered and damaged sectors throughout the epidemic.

Figure. Changes in Goods Trade, Services Trade, and Investment in the World

Sources: Author's compilation using the data from the WTO Data Portal, the UNCTAD Statistics, and the OECD Statistics.

The graph displays developments in global trade and FDI (flow). We normalise their values by comparing them to those from the first quarter of 2019. The three measures began to contract in the first quarter of 2020 and reached their lowest point in the second quarter. The fall in FDI was the biggest of the three indicators, accounting for nearly a 50% drop. After that, they gradually began to return to normal. The increase in FDI has been phenomenal, although the rise in trade in services has been modest. In conclusion, a significant reduction in trade and investment was recorded in 2020 but not beyond.

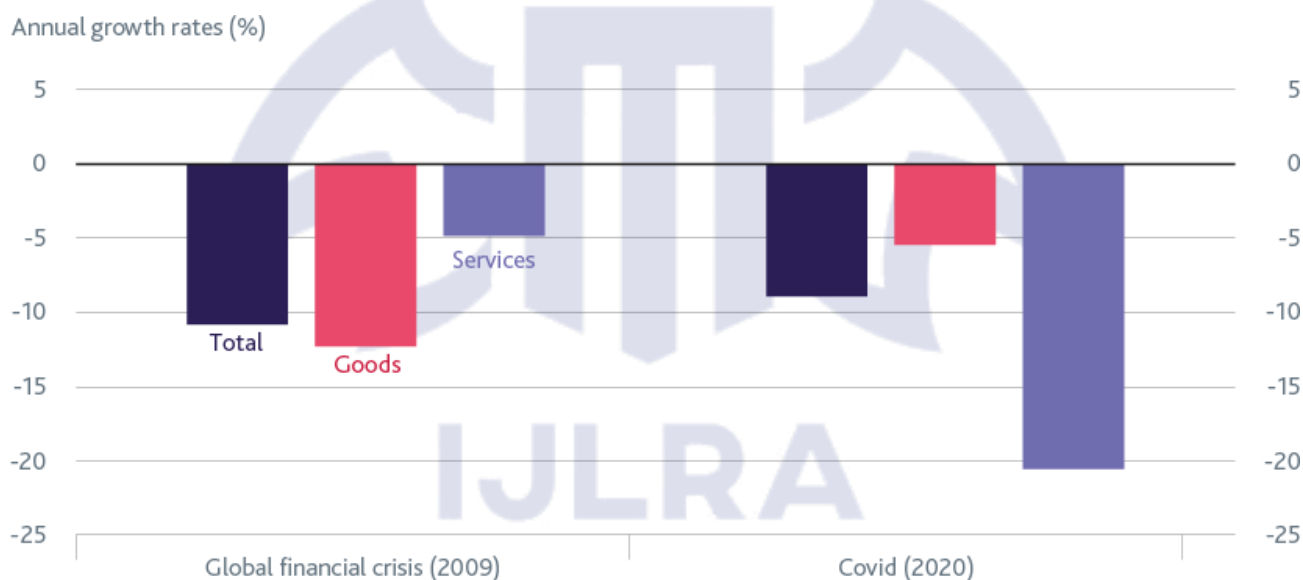
The COVID-19 epidemic has the potential to disrupt both imports and exports of products. On the demand side, stay-at-home orders reduce shopping options, lowering demand. The fall in sales caused by employment closures may have also cut people's salaries and incomes, lowering aggregate demand even further. These declines lead to a fall in goods consumption and imports.

COVID-19, on the other hand, raises demand for meals, medical supplies, and personal protective equipment such as masks and sanitary products. It may also raise demand for teleworking and

stay-at-home items (such as laptop computers). On the export side, workplace closures impede company operations, resulting in the suspension of manufacturing activity. Furthermore, industrial productivity may suffer as a result of the implementation of infection control measures (for example, social distancing) in workplaces. These causes cause a decrease in manufacturing output, which reduces exports.

There were negative effects on non-essential or durable items or products in labour-intensive businesses during the initial phase, but beneficial effects on industries providing medical products. While there was a decline in medical product exports during the second phase of the COVID-19 pandemic, the reduction in exports was less for nations with economic and/or political links to neighbouring countries.

Figure: - Services trade has fallen more sharply than goods trade



Sources: IMF World Economic Outlook April 2021 and Bank calculations. Data show global trade volumes.

The COVID-19 epidemic has significantly disrupted world trade. Global commerce declined 8.9% in 2020, the largest dip since the global financial crisis. The pandemic had a greater impact on services trade than on commodities commerce. In 2020, services trade decreased by more than 20%, about four times the rate of fall in commodities trade. This disparity can be explained by COVID-19 constraints. While limitations hampered the service sector, the product trade rebounded

quickly since manufacturing shutdowns were minimal and demand for some durable items (such as furniture, carpets, and appliances) increased. Despite a substantially bigger decrease in global GDP in 2020, overall trade declined by less during the COVID-19 shock than during the global financial crisis in 2009. This is because, whereas services account for the bulk of economic activity in sophisticated nations, they account for just about a quarter of global commerce.

Impact of the covid-19 pandemic on various nation

INDIA: - India's exports fell by a record 60.28 percent to \$10.36 billion in April 2022, owing mostly to the coronavirus shutdown. According to figures from the Commerce and Industry Ministry, imports fell by 58.65% to \$17.12 billion in April, leaving a trade imbalance of \$6.76 billion, down from \$15.33 billion in April 2019.

It is the smallest trade deficit since May 2016, when it was \$6.27 billion. In March 2020, the country's exports had decreased by 34.57 percent.

Services trade

RECEIPT FOR EXPORTS - According to the RBI's most recent press statement, dated December 13th, exports in October 2019 were USD 17.70 billion (about Rs. 1,25,725.53 crore), marking a 5.25 percent rise in dollar terms over October 2018. The estimated value of service exports in November 2019* is USD 17.26 billion.

IMPORTS (Money) - According to the most current press release from the RBI, dated December 13th, imports in October 2019 were USD 10.86 billion (about Rs. 77,177.20 crores), marking a 7.58percent increase in dollar terms over October 2018. The projected value of service imports in November 2019 is \$10.28 billion USD*.

COVID-19 had a tremendous impact on Indian international trade. Production was a particularly hard damaged industry, since all industrial facilities were shut down during COVID-19, disrupting routine economic activity and daily life in India and harming the country's economic progress.

CHINA: - China is essential to all other countries because of its economic situation and participation in international commerce. Financial or industrial imbalances in China can disrupt global trade balances. The present COVID-19 scenario has had a significant detrimental influence

on the Chinese economy, as well as other economies across the world. When COVID-19 spreads throughout the country, manufacturing operations come to a halt. The social distancing rules in China induce inadequate use of workers and capital, raising the cost of manufacturing. Furthermore, the closure of international borders and other transportation limitations made exports difficult for China, and it experienced significant losses, such as a 3.7% decrease in exports.

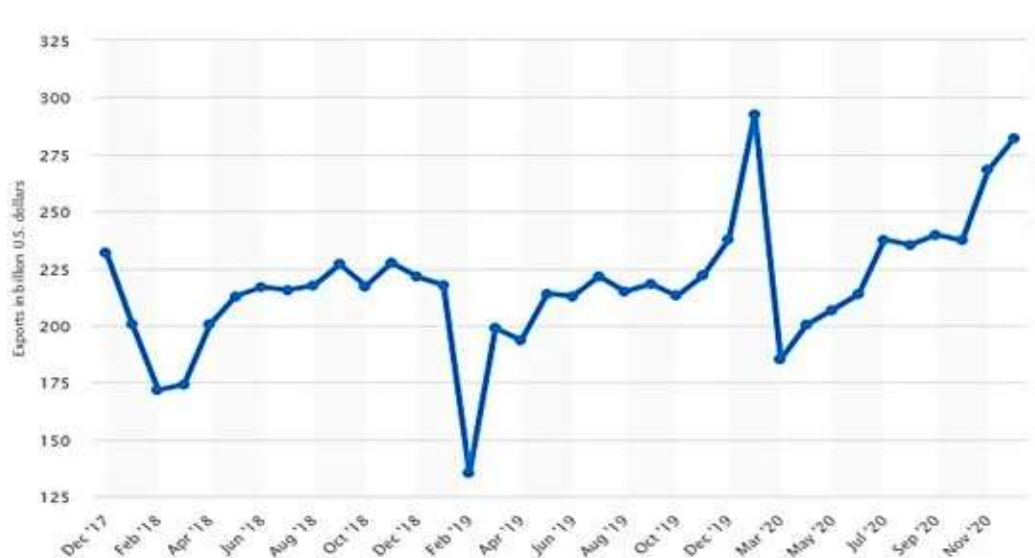


Figure- Exports of China. Source: The figure reproduced with permission from (National Bureau of Statistics of China 2021).

Figure depicts the Chinese economy's export patterns from 2017 to December 2020. The graph demonstrates that China's exports fell dramatically in January 2019 owing to the worst time of the COVID-19 outbreak. The passage of time and the development of COVID-19 safeguards then had a favourable influence on China's exports. Exports have reached their peak by the end of 2020.

It can also be observed that at the worst of the epidemic, there was a significant drop in the investment sector, and a large stock of automobiles remained unsold. The COVID-19 outbreak reduced foreign direct investment, tourism, and other business travel. Because COVID-19 spreads quickly among individuals, the Chinese authorities closely enforced the social distancing advice. Additional precautions were taken, such as the suspension of educational activities, commercial and public companies, non-governmental organisations, and foreign trade. However, essentials and life-saving goods may be transferred on a global scale.

China's GDP increased 5.94% in 2019 to \$142.29.94 billion. Due to widespread lockdowns during

the COVID-19 outbreak, China's GDP fell 6.8% in the first quarter of 2020. Other major nations and geopolitical competitors, such as the United States, Europe, India, and Japan, were weathering a winter storm. China's GDP exceeded 100 trillion Yuan (15 trillion USD) in 2020. With the epidemic finished, China's economic development was revived by innovation and digitalisation. In the first quarter of 2021, the economy gained 18.3% year on year.

The worldwide recovery of international trade post the outbreak of the epidemic.

According to UNCTAD's Global trade Update posted on May 19, world commerce recovered from the COVID-19 crisis to a record high in the first quarter of 2021, expanding by 10% year on year and 4% quarter on quarter.

According to the research, the significant bounce in Q1 2021 was driven by East Asian nations' excellent export performance, which allowed them to recoup faster and capitalise on increasing worldwide demand for COVID-19 related items due to their early success in pandemic mitigation. Following the emergence of the COVID-19 pandemic, worldwide commerce has been a difficult and dynamic process. The epidemic had a significant influence on global trade, disrupting supply chains, lowering demand for specific goods and services, and triggering a global economic slowdown. However, when vaccinations were created and delivered, and governments employed different anti-virus measures, international trade began to recover.

As the virus expanded swiftly in the early months of 2020, several governments implemented lockdowns and travel restrictions, creating substantial disruptions to international trade. Factories went out of business, transportation routes were disrupted, and consumer demand for non-essential items fell. The epidemic highlighted flaws in global supply chains, especially in companies that depend largely on just-in-time inventory systems. The unexpected interruptions emphasised the importance of corporations diversifying supply sources and reconsidering the concentration of production in specific locations.

COVID-19 vaccine development and dissemination were important in helping international commerce recovery. Countries were able to restore their economy and resume international travel and trade thanks to vaccination initiatives. While conventional retail and many service industries

struggled, demand for e-commerce increased. Consumers have come to rely on online purchasing and digital services, resulting in growing cross-border e-commerce activity.

International trade has not recovered uniformly across all areas. Some nations and areas recovered more quickly as a result of competent pandemic management, while others faced continued issues, particularly if they relied largely on certain businesses such as tourism.

The epidemic has encouraged economic developments towards digitization and sustainability. Many organisations implemented digital solutions, and there was a greater emphasis on ecologically friendly and sustainable business practices.

Overall, the post-pandemic recovery of foreign trade has been a complicated and uneven process driven by a number of factors such as public health measures, economic policies, and global dynamics. As the globe responds to the continued challenges provided by the epidemic and other global crises, the situation will continue to change.

CONCLUSION

International trade is the exchange of goods and services across borders, driving economic growth and development. It enables countries to access resources and specialise in their production, resulting in increased sales and profits. This is the largest fall since the financial crisis. The pandemic has reduced global commerce in products, services, and foreign direct investment, with many countries implementing export limits on essential goods.

The coronavirus has significantly impacted international trade, causing problems with worldwide supply networks, decreased global trade volume, changes in consumer behaviour, trade limits, and services trade. Lockdowns, quarantines, and movement restrictions have hampered the movement of commodities and raw materials, leading to delays and shortages in businesses. Trade volumes had decreased due to border closures, decreased demand for non-essential commodities, and transportation issues. The vaccine-related trade has become a key focus, with some countries facing difficulties in obtaining vaccines.

However, vaccinations and anti-virus measures helped international trade recover. The pandemic also highlighted flaws in global supply chains, emphasizing the importance of diversifying supply

sources and considering production concentration. E-commerce demand increased, leading to cross-border activity. The recovery process was uneven across countries, with some experiencing faster recovery due to competent pandemic management.

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