COVID-19 and Foreign Trading: An Analysis on India

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***Abstract* - Infectious diseases and associated mortality have abated, but they remain a significant threat throughout the world. We continue to fight both old pathogens, such as the plague and human immunodeficiency virus (HIV) that have troubled humanity for millennia and new pathogens such as coronavirus that have mutated and spilled over from animal reservoirs. The economic risks of epidemics are not trivial. Even when the health impact of an outbreak is relatively limited, its economic consequences can quickly become magnified. Ongoing scenario of coronavirus outbreak in India has strongly affected its trade deficit by altering import and export of goods and services.**

***keywords* - COVID-19, Import, Export, Trade Deficit.**

INTRODUCTION

On 31st December 2019, 27 cases of pneumonia like unknown aetiology were identified in Wuhan City, Hubei province in China. Wuhan is the most populous city in central China with a population size of exceeding 11 million. These patients most notably presented with clinical symptoms of dyspnoea, fever, dry cough and bilateral lung infiltration. Pertaining condition was linked to Wuhan's Huanan Seafood Wholesale Market, which trades in fish and a variety of live animal species including poultry, bats, marmots, and snakes. The causative agent was identified from throat swab samples conducted by the Chinese Centre for Disease Control and Prevention (CCDC) on 7th January 2020, and was subsequently named Severe Acute Respiratory Syndrome Coronavirus2(SARS-CoV-2).

The disease was named COVID-19 by the World Health Organization (WHO) On 30th January,2020. WHO declared the Chinese outbreak of COVID-19 to be a Public Health Emergency of International Concern by declaring it as pandemic on March 11,2020 posing a high risk to countries with vulnerable health systems?

The first case of the 2019–20 coronavirus pandemic in India was reported on 30 January 2020, originating from China. As of 26 March 2020 Indian, Council of Medical Research along with Ministry of Health and Family Welfare have confirmed a total of 649 cases, 42 recoveries, 1 migration and 13 deaths in the country. The infection rate of COVID-19 in India is reported to be 1.7 which seems to be significantly lower than in the worst affected countries like Iran and Italy.

The outbreak has been declared as an epidemic in more than a dozen states and union territories, where provisions of Epidemic Disease Act,1897 have been invoked. Current scenario of this exponentially increasing epidemic leaded the Government to take some major steps like shutting down of educational institutions and many commercial establishments. India has suspended all tourist visas, as a majority of the confirmed cases were linked to other countries.

On 22 March 2020, India observed a 14-hour voluntary public curfew at the instance of the Prime Minister. Further, on 24 March, the Prime Minister ordered a nationwide lockdown for 21 days, affecting the entire 1.3 billion population of India.

In this way coronavirus outbreak became the first and foremost of a human tragedy affecting millions of people. It is having a thoughtful impact on Indian economy along with education, transportation, commercial establishments, sports. The outbreak is moving expeditiously and some of the perspectives in this article may fall rapidly out of date as the provided information administer till March 26, 2020.

COVID-19 AND ECONOMY

COVID-19 pandemic represents an unprecedented disruption to global economy and world trade by laying off the production and consumption across entire globe. WTO Official has shared views regarding this which are concluded below in following points:

1) **COVID-19 crisis looks like bad news for the global economy and trade:**

Because of the rapidly changing situation and increasing gravity of the crisis, economists are revising their forecasts almost daily. Director General Roberto Azevedo recently noted that COVID-19 crisis had caused dramatic supply and demand shocks in the world economy and that these shocks are inevitably causing major disruptions to trade. These disruptions will be apparent in the WTO's annual trade forecast. WTO's Goods and Services Trade Barometers issued on 17 February and 11 March respectively pointed to continued weakening of world trade in both sectors and the likelihood of further declines in the coming months as the full economic impact of the COVID-19 virus becomes more apparent in time.

2) Countries are imposing trade restrictions and export bans on medical products in reaction to COVID-19 virus outbreak:

It is important to note that trade plays an important role in ensuring the availability and affordability of vital medicines, medical products and health care services, particularly among its most vulnerable members. International trade is crucial to ensuring access to medicines and other medical products as no country is entirely self-reliant for the products and equipment it needs for its public health systems.

Each WTO member is free to determine what is necessary to protect its citizens and take the measures it deems appropriate. In general, WTO rules provide broad space for members to adopt trade measures which are necessary to protect public health and public welfare (including import and export bans, quantitative restrictions on imports and exports, and non-automatic import licensing). These measures should be applied in a manner that does not discriminate between WTO members and should not constitute a disguised restriction on international trade.

The general exceptions are set out under two of the WTO's cornerstone agreements – the General Agreement on Tariffs and Trade (GATT) 1994 and the General Agreement on Trade in Services (GATS).

The Agreement on Trade-related Aspects of Intellectual Property Rights (TRIPS) also provides members with flexibilities to ensure that life-saving drugs are available and affordable for their citizens. Among other tools, governments can use WTO-compliant compulsory licensing procedures in cases where patented drugs have been unaffordable or not widely available.

In addition, two WTO agreements address measures adopted by members to protect public health or public safety – the Agreement on the Application of Sanitary and Phytosanitary Measures (SPS Agreement) and the Agreement on Technical Barriers to Trade (TBT Agreement).

The SPS Agreement establishes that members have the right to restrict trade by taking SPS measures necessary for the protection of human, animal or plant life or health. These measures should only be applied to the extent necessary to achieve their objectives, be based on scientific principles and be supported by scientific evidence. In situations where relevant scientific evidence is insufficient, members may provisionally adopt SPS measures on the basis of available pertinent information.

The TBT Agreement aims to ensure that technical regulations, standards and conformity assessment procedures are non-discriminatory and do not create unnecessary obstacles to trade. At the same time, it recognises WTO members' right to implement measures to achieve legitimate policy objectives, such as the protection of human health and safety.

Both the SPS and TBT agreements require WTO members to notify others of any new or changed requirements which affect trade, and to respond to requests for information on new or existing measures.

3) WTO function in regards to trade measures imposed by members:

WTO serves as a forum for members to exchange views on each other's trade policies and practices. These concerns may be raised in the regular committees (as specific trade concerns in the SPS and TBT committees) or occasionally in the WTO's councils, including the General Council, the WTO's highest regular decision-making body. For example, around 1,000 specific trade concerns related to SPS and TBT measures have been raised and discussed in the respective committees to date.

While in-person meetings at the WTO have been postponed up to the end of April, members continue to submit notifications to the WTO regarding their trade-related actions.

The WTO also monitors trade restricting and facilitating measures imposed by the Group of 20 leading economies as well as the WTO membership as a whole through its biannual trade monitoring reports.

Table1: COVID-19 Trade and trade related measures taken by India as of March 24,2020

Observer/ Member	Measure	Source/Date	Status
India	Amendments introduced to the export policy of Personal Protective Equipment/Masks-reg (HS 3926.90; 6217.90; 6307.90; 9018.50; 9018.90; 9020), resulting in an export restriction due to the Covid-19 pandemic	Notification No. 44/2015-2020, Ministry of Commerce and Industry - Department of Commerce, Directorate General of Foreign Trade (31 January 2020)	Effective 31 January 2020
India	Amendments introduced to the export policy of masks, ventilators, and textile raw materials for masks and coveralls (HS 3926.90; 6217.90; 6307.90; 9018; 9020; 5603.11; 5603.12; 5603.13; 5603.14; 5603.91; 5603.92; 5603.93; 5603.94), resulting in an export restriction due to the Covid-19 pandemic	Notification No. 52/2015-2020, Ministry of Commerce and Industry - Department of Commerce, Directorate General of Foreign Trade (19 March 2020)	Effective 19 March 2020
India	Amendments introduced to the export policy of ventilators, including any artificial respiratory apparatus or oxygen therapy or any other breathing appliances/devices and sanitizers (HS 3004.90.87; 3401; 3402; 3808.94; 9018; 9019; 9020), resulting in an export restriction due to the Covid-19 pandemic	Notification No. 53/2015-2020, Ministry of Commerce and Industry - Department of Commerce, Directorate General of Foreign Trade (24 March 2020)	Effective 24 March 2020
India	Amendments introduced to the export policy of hydroxychloroquine (HS 3004.90.87; 3401; 3402; 3808.94; 9018; 9019; 9020), resulting in an export restriction (subject to certain conditions), due to the Covid-19 pandemic	Notification No. 54/2015-2020, Ministry of Commerce and Industry - Department of Commerce, Directorate General of Foreign Trade (25 March 2020)	Effective 25 March 2020
India	Imports of certain medical and surgical instruments and apparatus (HS 9018; 9019; 9020; 9021; 9022) exempted from the "health cess"	Ministry of Finance - Department of Revenue - Notification No. 8/2020-Customs (2 February 2020)	Effective 1 April 2020

India	Decrease of import tariffs (from 10% to 5%) on medical or surgical instruments and apparatus (HS 9018; 9019; 9020; 9021; 9022)	Finance Bill, 2020 (Bill No. 26 of 2020) (1 February 2020). Viewed at: https://www.indiabudget.gov.in/doc/Fi nance_Bill.pdf	Effective 1 April 2020

LITERATURE REVIEW

Barro (2013), Acemoglu & Johnson (2007), Bloom, Canning, & Sevilla (2004), Ehrlich & Lui (1991),World Bank (2009): GHSA investments take place in the context of a globally intertwined economy where links between health and economic outcomes both within and across countries can form a complex web of interactions. The role of health in economic growth has been the focus of extensive theoretical and empirical research.

Aman Chadha (2013) in his article had proved that a sharp dip in rupee value against dollar and other major currencies had yielded no gains to exporters who were reeling under a severe slowdown in global demand and seen their shipments drop, calling for very urgent measures from the government and the industry. While rupee had depreciated about 10 per cent in the last two months against the US dollar and other major currencies, exports of engineering products, among the largest segments of the Indian merchandise export basket, too went down almost in the same ratio, instead of benefitting from currency erosion, Engineering Export Promotion Council, India.

Pillania K Rajesh (2008) published a trade scenario of exports since 1950-51 to 2006-07. The paper showed the progress in foreign trade through various statistical and graphical tools since 1950. It provided a descriptive view of the commodity composition of trade as well as of the direction of trade. The author on the basis of his analysis concluded that with a large size of economy, high growth rate, small share in world trade and with the help of various economic theories, it had seen that there was huge untapped potential for Indian foreign trade in years to come.

Neena Malhotra (2008), said that the ratio of exports to imports, had improved over time and the fear that liberalisation will adversely affect agriculture, doesn't seem to be valid. Rather immense export opportunities were opened by export market, and our farmers were also taking advantage of these opportunities. The structure of imports shows that major category of import was of edible oils, fertilizers, and fertiliser manufacture. There was need for change in the cropping pattern, and domestic oil seeds production should be promoted in a big way to reduce import dependence. Government should provide appropriate facilities in the form of transportation and storage, infrastructure, better varieties of seeds, packaging and branding, and also quality testing centres for matching our products with international quality standards. Thus, domestic marketing reforms must be there with liberalisation of external trade of agriculture commodities.

J.N. Bhagwati and A. Krueger (2007), in their comparative analysis of the impact of foreign trade regimes and economic development in a number of countries, defined a set of analytical phases with reference to the EXIM policy of a country. These phases in the foreign trade regime were designed essentially as a descriptive device to capture meaningfully the evolution of foreign trade regime in terms of its restrictions content and the dimensions and pattern of its use of control and price instruments.

Syamala Gopinath (2006) tried to analyse how the regulatory environment had evolved in the Indian foreign exchange market. According to her, the main objective of markets including Foreign Exchange markets should be to support economic activity and raise the potential for economic growth. The focus of the exchange control regulations had facilitated transactions in international trade in goods and services. The number of incentives had been taken towards procedural simplification with the objective of reducing the transaction cost. Thus, the focus of the external sector reforms measures had been to dismantle controls and provide an enabling environment to all entities engaged in external transactions.

Vijaya Katti (2005) points out that for India to become a major player in world trade, an all-encompassing and comprehensive view needs to be taken for the overall development of the country's foreign trade. The EXIM policy was renamed as the new Foreign Trade Policy. The Foreign Trade Policy was built around two major objectives. These were to double our percentage share of global merchandise trade within the next five years, and to act as an effective instrument of economic growth by giving a thrust to employment generation. She was of the opinion that the new trade policy was of immense use to India's foreign trade.

Brainerd and Siegler (2002) showed that the Spanish flu epidemic of 1918–1919, which killed at least 40 million people worldwide and 675,000 in the United States, had a positive effect on per capita income growth across states in the United States in the 1920s. In contrast, Bloom and Mahal (1997) show no significant impact of that epidemic on acreage sown per capita in India across 13 Indian provinces.

Haacker, (2002) Epidemics also adversely affect labour productivity by inhibiting the movement of labour across regions within a country as well as across countries. Restricted mobility thus inhibits labour from moving to the places where it is most productive. Researchers simulating the effect of AIDS on growth in Southern African countries found that AIDS had significant negative effects on per capita income growth mainly through the decline in human capital.

Ragnekar (1975) revealed that the decline in the share of traditional exports in the country is due to the absorption of a rising proportion of output in the domestic economy, and the country seems to have lost its comparative advantage.

S.J. Patel (1959) made a pioneering attempt to analyse the long-term trends in India’s foreign trade. He examined the stagnancy of India’s exports over years, and explained it in terms of stagnancy and declining world demand for Indian exports. India's trade with the socialist countries of Eastern Europe had been perhaps the most dynamic sector of India's foreign trade during 1960s. Payment arrangements under trade for its imports from East European countries were in nonconvertible rupees. The effectiveness of these arrangements had been analysed by many scholars such as Surender Dave, Sunanda Sen Sumitra Chisti and Asha Datar.

OBJECTIVE

Present study seeks to highlight the effect of COVID-19 on the export - import business of India as well as Trade Deficit in India, adding value to existing literature.

DATA COLLECTION AND METHODLOGY

Data was collected from the World Trade Organisation (WTO), Reserve Bank of India, Press Information Bureau, Government of India, Ministry of Commerce & Industry. Graphical representation (Bar Diagram) is used for analysis the result of study.

ANALYSIS OF RESULTS

Generally International trade is the exchange of capital, goods, and services across international borders or territories. International trade relates with export and import business. Export can be defined as product or services produce in one country and purchased by the citizen of another country. All country wants to export more product in another countries because it helps to increase the reservoir foreign currency (Amadeo, 2017)

India's overall exports (Merchandise and Services combined) in April-February 2019-20* are estimated to be USD 491.64 billion, exhibiting a positive growth of 2.13 per cent over the same period last year during COVID-19 period. So COVID-19 has positive effect on export of product for very short period of time. This effect can be represented through the following diagram (No.1).

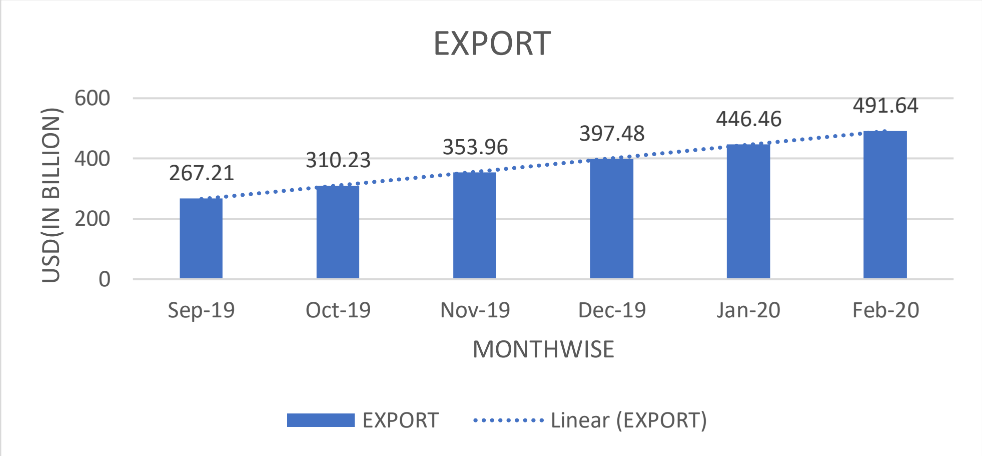

Figure1: Represents export of goods and services from India during September 2019 to February 2020 (Source: Press Information Bureau, GOI, Ministry of Commerce and Industry)

Horizontal axis of diagram represents the sample time period (6 months) and vertical axis represents the amount of export in US dollar (in Billion). Bar diagram shows that in the month of Feb-2020, export of commodity from India touch 491.64 billion USD. Hence, it can be expected that COVID-19 creates this effect.

Import may be defined as a process of using foreign goods and services by the residence of a country. It reduces the reservoir of foreign currency (Amadeo, 2017). During the time of COVID-19 import of foreign product in India reduces by 3.90%. Overall imports in April-February 2019-20* are estimated to be USD 559.45 billion, exhibiting a negative growth of (-) 3.90 per cent over the same period last year. Result of import is depicted by using the following bar diagram (Diagram No 2). Vertical axis of Diagram No 2 represents the amount of import in US dollar Billion and horizontal axis represents the time period (i.e. 6 months). During the study period in the month of Feb-2020 import reach up to 559.45 billion USD. After January this amount increases. It can be predicted that this reduction occurred due to new COVID-19 affecting overall International exposure of India.

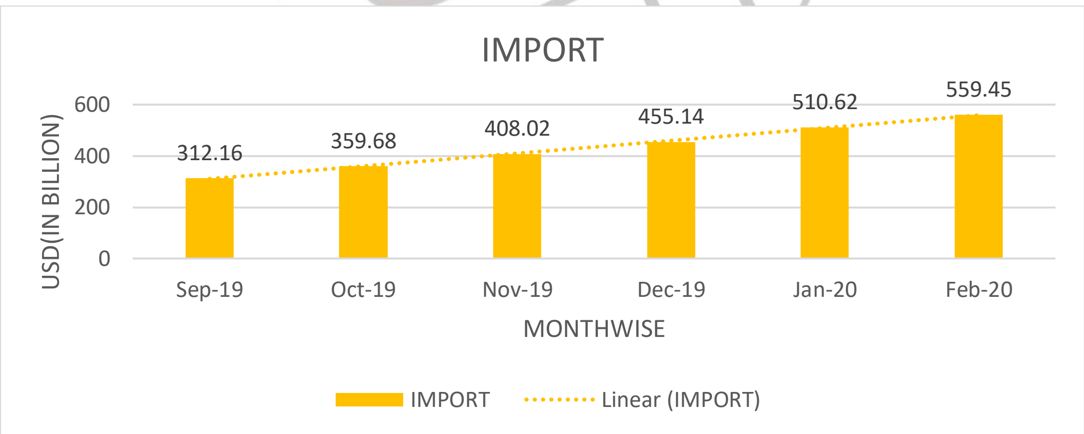

Figure2: Represents import of goods and services into India during September 2019 to February 2020 (Source: Press Information Bureau, GOI, Ministry of Commerce and Industry)

Trade Deficit is the amount by which the cost of a country's imports exceeds the value of its exports. It having factor like export, import, currency rate etc. The merchandise trade deficit equals the value of goods imported minus the value of goods exported. The current account deficit uses a broader definition that also includes services and some types of income.

Trade Deficit also affected by COVID-19. During study period in the month of Feb-2020 amount of Trade Deficit was 67.82 USD. Taking merchandise and services together, overall trade deficit for April-February 2019-20* is estimated at USD 67.81 billion as compared to USD 100.74 billion in April-February 2018-19. Diagram No 3 present this said data.

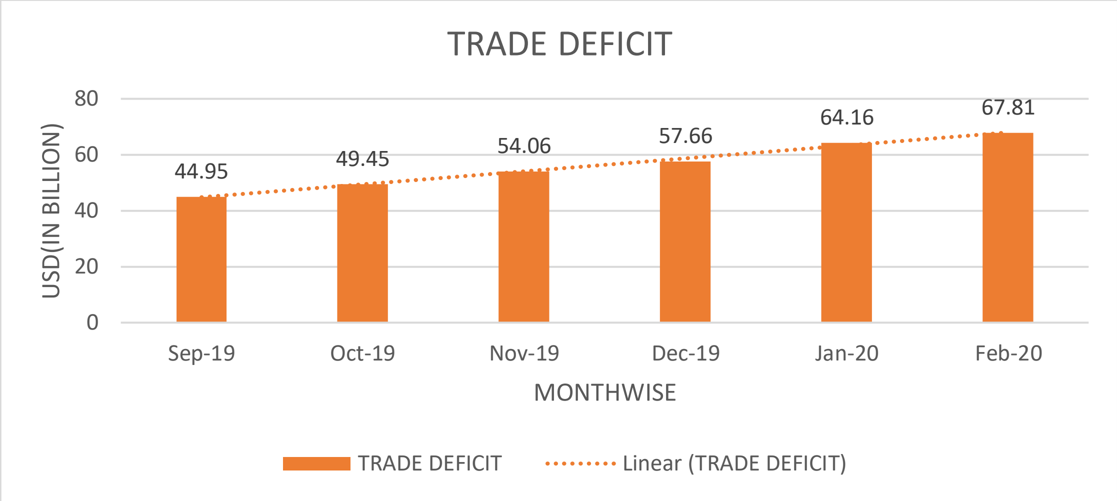

Figure3: Represents trade deficit value of India during September 2019 to February 2020
(Source: Press Information Bureau, GOI, Ministry of Commerce and Industry)

CONCLUSION

Study tries to highlight the effect of COVID-19 on export import business of India during 6 months (Sept 2019 to Feb 2020). Analysis of the results clearly implies the effect of COVID-19. In short run COVID-19 has negative impact on export- import business and Trade Deficit of India but this phase will be removed and later on leading to improvement.

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