COVID-19 IMPACT ON INTERNATIONAL TRADE

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ABSTRACT

The impact of COVID-19 that started from local China has sent a ripple impact globally. Since the identification of COVID-19 in December 2019, the world has become a witness to its impact on the economy and human life loss. Global markets are in free fall with the disruption in the supply chain and reduced manufacturing due to lockdowns and restrictions. With the reduced global trade and falling GDP forecasts, the world is stepping towards an anticipated recessionary period. This chapter covers the impact of COVID-19 on international trade and its issues and actions. Trade is an essential system that protects livelihoods and boosts the country's economy. Due to ongoing COVID-19, the impact on trade is severe. The demand for non-essential commodities has fallen sharply. Though the impact of trade is less for developed countries, its impact on developing countries is far worse. Due to the ongoing pandemic, the GDP has fallen by an overall 2 percent for the world, where we have observed that 2.5 percent is for developing countries and 1.8 percent for the developed countries. It is too early to assess the full impact of COVID-19 on the trade, but in this uncertainty, the country can do the following to keep the impacts minimized. 1) Improve transparency about trade policy, which will boost confidence in traders. 2) The supply of essential products should not be disturbed, and 3) Restrictions on export should be reduced. The Government also needs to ensure that the decisions are taken keeping in mind the impact on producers and consumers. Though this study is illustrative, it still gives a clear understanding of the extent of global economic pain for developing countries and the assistance that will be needed to bring the economy back on track.

KEYWORDS: COVID-19, COVID burden, global trade, economic impact

JEL CLASSIFICATION: E00, B17, F10, F13, F17

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INTRODUCTION

This research aims to come up with early evidence for the impacts of the ongoing coronavirus pandemic on international trade. The World Health Organization (WHO) recognized the pandemic on March 11, 2020. According to the WHO website, as of May 16, 2020, more than 300,000 deaths from COVID-19 have been reported worldwide. Many countries imposed some form of rules and restrictions on people, work, and businesses so as to control the spread of the COVID-19. Almost many countries have decided to declare citywide or nationwide lockdowns. Also, many countries have restricted an entry ban on foreigners. These restrictions imposed by different countries have seriously hurt the worldwide economy. For example, China's Economy diminishes by 6.8 percent in the first quarter of 2020. This fall is the first contraction since 1992 when China began releasing its GDP data. According to the World Economic Outlook, April 2020 by the International Monetary Fund (IMF), the global economy is projected to contract by –3 percent in 2020 sharply. Economists have responded quickly to this pandemic and investigated the economic impacts of COVID-19. COVID-19 can be expected to impact international trade in various ways substantially. Naturally, a high level of negative impact in an exporting country can decrease the volume of production, which is the main reason for the decrease in export supply. Exports will decrease particularly in industries and countries where remote work/operation is less feasible. The impact of COVID 19 in an importing country is basically due to a fall in aggregate demand in that country. The ongoing pandemic and current pattern of salary cuts in all the sectors and even fewer visits to the retail stores is the main reason to fall in demand for the goods. The impact of COVID 19 on international trade in one country may also be affected by the burden in its neighboring countries. For example, fewer exports from an affected country generate export opportunity for its neighbor countries. On the other hand, decrease production shocks due to COVID-19 in a country may reduce production in neighboring countries through supply-chain networks. The world is going through a hard time – socially, politically, and economically. The COVID-19 pandemic has taken away nearly 657,276 lives globally, and almost 16,674,047 of people are affected by the virus. And this is a big loss in terms of human lives. If we see another side, the effect of this virus is not in control the world is in a deep economic slowdown right now. The COVID 19 pandemic has given us unexpected and complicated challenges that are very difficult for the global economy and international trade. The world market hit very badly due to the pandemic and damage to it is undesirable. The world trade organization (WTO) has compared the economic loss that has resulted from pandemic with the financial crisis of 2009 and the great depression of 1929. It has also predicted that global trade will fall from 13 percent to 32 percent.

Here the question is, why the situation has taken a serious turn?

Whereas if we differentiate the ongoing economic slowdown because of COVID 19 with the financial crises of the year 2009 and time of 1930s great depression the COVID 19 pandemic harms and loss on the Economy and worldwide market is bigger and very remarkable. If we focus on the Great Depression, 1930s the economic situation in reasonable shape even the banking system was not short of capital. However, the case of the COVID 19 pandemic is different. This is clear that in the coming years almost the next 5 to 8 years we are going to

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face the same situation and ongoing loss in the production and banking sector. After coming up with this pandemic situation, the financial reserve is all gone, and plans of economic growth stop or not in progress. Due to this serious virus, the whole sector of economies is shut down. If we look back at the time when this virus was not identified, we were trying to achieve a better economy and putting all positive efforts to reduce the trade tension between different countries and slow growth of the economy, in the year 2019 trade and worldwide market was already shaking. Also, the situation of the transport and travel sector very badly hit by the pandemic was not during the financial crisis 2009 the time of ten years ago. The WTO has clearly announced that all sectors in the world will face double-digit declines in imports and exports in 2020 and coming years, except for Africa, the Middle East, and the Commonwealth of Independent States (CIS). The world's major economic powers such as the U.S., China, UK, Germany, Italy, France, Japan, and many other rising economies like India, etc. are on the verge of collapse. The prices of crude oil have fallen off a cliff and the OECD stated that global growth could be cut in half to 1.5 percent in 2020 if the virus continues to spread. For production, the world needs human labor, and half of the globe at present is under lockdown for an indefinite period which is going to have a huge impact on the economy and trade in general.

OBJECTIVES OF THE STUDY

1. To understand the Impact of COVID-19 on International Trade
2. To discuss the consequences of COVID-19 on international trade.
3. To discover actions that can minimize the impact of COVID-19 on International trade
4. To determine the relation between GDP and international trade.
5. To discuss international trade post-COVID- 19 scenarios.

FINDINGS

1. IMPACT OF COVID-19 ON INTERNATIONAL TRADE

Growing nationalism and countries trying to protect domestic industries by taxing imports has put a brake on the growth that the world trade was witnessing over the past years. It has also impacted tourism and globalization. We all know that the ongoing tension between the United State and China has already impacted the global trade in 2019, on top of that COVID-19 has acted as an accelerant and ignited the rate of fall. The world trade organization has already estimated the trade to drop from 13 percent to 32 percent depending on how severe the pandemic becomes. If the situation gets worse then trade fall will be more and if the situation is controlled the impact will be less. "These numbers are unbelievable" WTO Director-General Roberto Azevedo mentioned in a press conference in the matter while highlighting the role of free trade on the path to recovery. If a country wants to encourage the investment post-COVID-19 it would need to keep its market open and predictable, also it needs to create an environment that will favor the growth of the business. To make sure that the economy grows and recover faster it would be the job of not just one but all the countries to come together and work on it. COVID-19 Burden in Exporting Countries: The spread of COVID-19 has imposed social distancing and lockdown measures on every step of the growth these measures almost stop the people's mobility in their workplace and other service areas.

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Closures of the different sectors reduce the size of the workforce. death is the reason which directly reduces the strength of work and power of the labor force and these changes reduce supplies of goods and services and lower their price elasticity even negatively affect all other production work, moving the country's supply curve upward and making it steeper.

COVID-19 Burden in Exporting Countries

We know that COVID19 impact on an exporting country diminishes the volume of production, which is the basic reason for reduced export supply. However, there are two main components in determining the net effect on export supply. So, the first element is a fall in domestic demand for export goods. The COVID 19 impact is not only the production of products but even domestic demand for that product too. If the fall in domestic demand is bigger than the fall in production, a net increase in exports could be realized by diverting the amount not consumed at home to the export market the other component is the effect of introducing remote work/operation on productivity. various countries have attempted to sustain economic activity by introducing such telecommuting systems. If these systems improve productivity or efficiency in production, the export volume could increase. If remote work/ operation is less feasible then the scale of production would decrease. For example, in labor incentive industries/country these remote work operations will not feasible because industries need person presences at the time of the work; even some industries with less developed information technology infrastructure would not be feasible. There are maximum chances in these types of countries and industries where exports are likely to decrease due to decreased productivity.

COVID-19 Burden in Importing Countries

The burden of COVID 19 on an importing country's trade is decreasing the aggregate demand of that country. Because of ongoing lockdown and sudden salary cuts from all the sectors of employees reduce people's earning and lead to a fall in aggregate demand; due to this cut off people started less visit for supermarket and retail stores resulting in decreased demand. As is mentioned by Eaton et al. (2016), who find the effect of the global recession in 2008-2009 on trade, negative demand shocks could decrease spending on durable goods more than spending on non-durable goods. This greater fall is because durable products are "postpone-able" (Baldwin and Tomiura, 2020). On the other hand, uncertainty about the future or "panic buying" may improve the demand for non-durable goods. Also, the import demand for sanitation products, such as face masks and hand sanitizer, may increase due to increased demand for products that defend against COVID-19 infection.

COVID-19 Burden in Neighboring Countries

The international trade of one country can be affected by the COVID-19 burden in its neighboring countries. Decreased exports from a country's neighbors due to COVID-19 create an export opportunity for that country because importing countries may change their import source from the neighboring countries to that country. We may call this effect the "substitution effect." Also, decreased imports in the neighboring countries affected by COVID-19 may lower

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market prices due to decreased demand levels. This decrease in trade prices in the international market may increase imports in other countries. The other impact is a negative effect, which we call the "contagion effect." Negative production shocks resulting from COVID-19 in a country may reduce the production of other countries through supply-chain networks.

2. CONSEQUENCES OF COVID-19 ON INTERNATIONAL TRADE AND WHETHER IT IS TEMPORARY TURBULENCE OR PARADIGM SHIFT

International trade is one of the sectors that has been hugely impacted by the current pandemic. Since it is too early to measure and conclude on the impact that this pandemic is going to leave and how the decisions taken by country are going to impact the trade, in the long run, makes the study limited. Instead of identifying and analyzing the probabilities of different scenarios, we are considering and categorizing the study in two parts i.e. short term and long-term consequences. As part of these two, we will understand and cover how COVID is going to impact trade on a short-term basis and what mark it is going to leave on the longer run.

Short-term consequences of the COVID-19 pandemic

The COVID-19 outbreak has already caused deep disruption to world trade, affecting both the availability and demand sides of the worldwide economy. Government across the world has proposed and in cases ordered lockdown as part of which the non-essential manufacturing facilities were shut off temporarily. Multiple corporations have also taken such measures due to a reduction in demand and supply of labor. The impact of the COVID-19 pandemic on the international service sector is the most visible. As per the assessment done by the United Nations Conference on Trade and Development (UNCTAD), they have estimated that global foreign direct investments are likely to shrink by 5-15 percent in 2020. As the consumers are also not willing to spend on non-essential commodities, the demand for the non-essential commodity has also seen a deep dive. The reason for this phenomenon is unemployment that is created due to industries either being shut down or closed due to lockdown and uncertainty. This decline is going to continue further if there is no improvement in the current pandemic situation.

These past weeks have also seen a major increase in states' recourse to COVID-19-related foreign policy measures. While some countries have decided to restrict or control the export of medical products due to the current pandemic, others were concerned with the food and essential commodities. Thus, there has not only been a restriction on ventilators and certain drugs there have also been restrictions on agriculture products. These decisions had led to genuine concerns about food and medical equipment shortage in the global market. The seriousness of this matter led to a joint statement by the Directors-General of the Food and Agriculture Organization, the Global Health Organization, and also the World Trade Organization (WTO), during which they noted that "uncertainty about food availability can spark a wave of export restrictions, creating a shortage on the worldwide market". They also called on the countries to assure and ensure that their trade-related measures don't disrupt the food supply chain. However, it'd be a slip-up to think that this epidemiological situation has only resulted in an exceedingly wave of trade restrictions. the image is far more complex. A variety of states have recently removed or suspended some trade controls. The aim of all of those measures is to confirm that there are sufficient supplies to domestic markets.

Interestingly, some trade restrictions are reduced (at least temporarily) even between the USA and China, the rivals that are stuck during a trade war for the last two years. Specifically, the USA has decided to exclude a spread of medical protective gear and equipment from additional duties imposed previously under its Section 301, and new products could also be added thereto list within the future. Similarly, China has granted temporary exclusions for sure U.S. goods (reagents or disinfectants) from its counter-duties. The pandemic has also stalled the progress of varied international trade initiatives around the globe, as states are currently preoccupied with the crisis. a decent example is that the new agreement between the USA, Mexico, and Canada (so-called USMCA) that's alleged to replace the present NAFTA arrangement. Although it's already been ratified by all three parties, its entry into force depends on the successful implementation of its obligations at the national level.

While the initial plan was slated for June 1 2020, this initiation date is now unsustainable. Similar problems could also be faced by the US-China Phase 1 trade deal concluded in January 2020 – the preliminary agreement that sets prerequisites for ending (again, a minimum of temporarily) the trade war between the countries. On its basis, China undertook to get more U.S. goods and repair, while the U.S. agreed to lower a number of its tariffs introduced for Chinese products between 2017 and 2019. it is unclear whether, within the present situation, China is going to be able to meet the specified purchase thresholds, and equally whether the USA is ready to deliver a sufficient number of products and services. On the opposite side of the Atlantic, talks between the United Kingdom and also the EEC over future trade relations have also stalled. in step with the withdrawal agreement, the transition period for the United Kingdom ends on December 31, 2020. If no deal is reached, the mutual trade relations are going to be governed by WTO rules.

Long-term consequences of the COVID-19 pandemic

The global economy is constructed on the specialization of labor across countries. In line with the speculation of comparative advantage, which provides the muse for the present system of the international exchange of products and services, such specialization allows for maximization of total output and improvement in welfare. The COVID-19 pandemic has shown, however, that clear benefits of the system include costs. When a country becomes a "single-source provider for a particular product, it can create a difficult situation in case of crisis. It has largely been observed in this pandemic situation as well, where these disruptions had significant impacts both on individual and global systems. Such a situation becomes particularly problematic in times of crisis when production facilities don't seem to be fully operational, while the demand of the domestic market may require countries to redirect a part of their export. this can be also true for other sectors, whether or not the results of possible disruptions don't seem to be so dramatic.

This newly discovered risk may eventually result in profound changes in existing supply chains. The first signs of such a process are visible over recent years with the Trump Administration

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pressuring American companies (albeit for various reasons) to maneuver their production back to the USA or outside of China. While these actions or proposals have only been partially successful earlier, it is going to get a strenuous response after the outbreak. Interestingly, it seems that both private companies and governments may now have an interest in introducing such modifications. From the purpose of view of personal companies, shortening and diversifying supply chains will be a rational strategy that permits them to make sure smoother operations and eliminates the chance of supply shortages. For governments, this could be how to limit dependence on one country (particularly in emergencies) and as a consequence, make them better prepared for future crises. U.S. Secretary of State Mike Pompeo in an interview, stressed the necessity to "fundamentally review our supply chains and confirm that we all know those supply chains and have control over them for moments similar to this."

It seems that this approach is followed irrespective of who wins the upcoming Presidential election. Within the past, regulatory initiatives geared toward reducing vulnerabilities in supply chains have attracted bipartisan support within the American Congress. Based on the historical data, we can implicate that the impact of the pandemic is even more far-fetching. They forecast a resulting deep and lasting transformation of the method of globalization. The new world, needless to say, to emerge, are characterized by tighter immigration rules, newly erected trade and investment barriers, and technological decoupling, with a central role reserved for states instead of for international institutions (as it seems that only states are capable of offering solutions to existential challenges like the COVID-19 pandemic). It seems that some fundamental reorganization of the worldwide economy and international order has been occurring for a few times. Global trade restrictions are on the increase for the last number of years, and that they don't seem to be limited to the economic relations between the USA and China. The European Union, which is traditionally very receptive international trade, has recently taken a more assertive stance in its willingness to impose more vigorously its anti-dumping duties, countervailing measures, and trade sanctions, moreover, on undertake strategic investment screening. Technological decoupling – seen by both China and therefore the USA in terms of competition for global technological supremacy – has been a vital part of their trade war. A series of the recent competition proceedings by the European Commission against American technological companies also seem to constitute one among the weather of this process. Whether this may result in the resurrection of national states (as suggested above) or rather to a segmentation of the planet that may be supported regional economic blocs around local hegemons that compete against one another within the global power game remains an open question.

3. ACTIONS THAT CAN MINIMIZE THE IMPACT OF COVID-19 ON INTERNATIONAL TRADE

In a challenging and unsure situation, trade is important to save lots of lives –and livelihoods COVID-19 could be a humanitarian crisis on a world scale. The foremost recent estimates within the June 10 OECD Economic Outlook suggest an unprecedented collapse within the half of 2020 – an almost 13 percent decline in global GDP. Trade is crucial to avoid wasting both lives and livelihoods. But keeping trade flowing requires co-operation and trust –for example, that the market will supply essentials, that countries won't impose export restrictions,

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which imports don't pose health risks. This can be a selected challenge at a time of trade tensions, where the international trading system was already subject to an increased number of recent restrictions and distortions, from tariff increases among major traders to significant government support in key sectors. Efforts at dialogue to manage and forestall tensions through ongoing negotiations are now complicated by mobility restrictions. With these tensions and the economic situation growing it is important to avoid the present trade tensions. Despite considerable uncertainty, the following four actions can be taken now:

Boost confidence in trade and global markets by improving transparency

World Trade Organization needs to bring and improve transparency in the trade and global market, which will not only boost but also bring confidence in the market. A transparent, shared, and strong information base is critical when we talk about trade flows between countries. Countries should also notify trade measures that have been taken in response to COVID to WTO and also be lenient to the cargos that had left and about to reach before the measures were enforced. Trade-related actions that are being taken by the countries impacting and non-impacting other countries are continuously being shared with WTO by the OECD. It is also assessing the impact of these actions and what should be done to deal in case it created a crisis.

Keep global supply chains going, especially for essentials

The priority of every country during the pandemic should be to keep the supply chains for essential goods going. This can include medical and food products and ICT goods and services. This though will not be as easy as it sounds, and there will be several challenges to keep these trades going. The challenges are:

1. Limited availability of air cargo while shipping of essentials goods due to cancellation of passenger flights due to travel ban. This has increased the price of air cargo.
2. Drop-in cargo shipments were observed on important shipping ports between 10-20 percent due to changed port protocols due to port closure and quarantine measures. This is even after some countries have set up "green lanes" to accelerate the processing of cargo.
3. Due to restrictions in the movement of containers due to the spreading of viruses, a large number of shipping containers got stuck in the ports. This led to a shortage of products in the market and an increase in the price rise.
4. Due to laborers migrating back to their hometowns, there has been unavailability and raised costs due to increased protective measures.
5. Lockdown has also limited mobility and thus affected the trade process.

The above challenges have added pressure on the time and costs of international trade. The need for the hour is to find the solutions to the logistical constraints and this needs to be coordinated between the Government and private sector. An immediate issue is to facilitate essential commodity which is needed to tackle COVID-19. For example, before COVID-19 China was the main manufacturer of surgical masks but during the pandemic period it was not enough and even they had to import it from other countries. China increased production from

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20 million to 116 million by the end of February and is now exporting to other countries. To keep the trade-in essential supplies flowing we would need to remove the barriers such as tariff, expediting certification procedures, and enhance trade facilitation to keep good moving as quickly as possible. Countries would also need to ensure the flow of food supply to quarantined areas, and ensure that COVID-19 related sanitary and phytosanitary (SPS) requirements remain nonrestrictive.

In the short term, we can do the following things to keep trade flowing:

1. Speed up and digitize border checks for medical products and food items and minimize the need for physical interaction.
2. International co-operation on the risk management needs to be boosted to tackle the further spread of the virus.
3. Keep trade moving through enacting regulations to enable e-payments, e-signatures, and e-contracts.

Avoid making things worse

Due to the ongoing pandemic, there have already been many unavoidable costs that industry or organization is bearing, so in this tough time, we should avoid actions that can add up to the costs for traders and consumers. Countries at first need to avoid the export restrictions on essential goods such as medical, food, and childcare. Currently, more than 60 countries have restricted exports on essential goods taking into consideration their own country and are stockpiling these commodities. These restrictions though lower the domestic prices and raise availability these are only temporary. This diversion in supply from the world market also puts pressure on international prices, which impacts the countries that are mostly dependent on international trade.

Export restrictions also risk and undermine the confidence in international markets and can lead to the importing countries in hoarding and panic buying. The current market condition shows positivity and prices look to stay low. But if the restrictions continue then this can lead to the creation of avoidable problems. I won't suggest that it is wrong for a country or the Government to keep the concern of the nation first but in doing so they should not forget or consider its impact on other countries. If it is not considered then the impact of the second or third wave will be severe in the underdeveloped and developing countries.

Developing or economically weak countries that are dependent on the import of goods cannot bear the cost of developing the supplies in their own country as it will increase the cost. Areas which are isolated due to virus will have the worst impact as they have to rely on the local economy to guarantee the supplies of the essential commodity. Transparency, global dialogue, and co-operation are essential in building confidence in global supply. If export restrictions cannot be avoided entirely in the current political context, agreements to place strict conditions on their temporary use are vital. More broadly, to maintain confidence in global markets and co-operation, there is a need to avoid further escalation in ongoing trade tensions.

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Comparing the current situation with the Global Economic Crisis

The world has faced a similar economic crisis earlier as well, and the question on everyone's mind is whether the situation is going to change. The best way to do so would be comparing the current situation with the Global Economic Crisis 2008-2009.

How is the current economic situation different?

1. The first difference is the limitation/ restriction in mobility restrictions which impose additional costs
2. Pandemic impact, particularly medical equipment and biosecurity for food.
3. Given that the current pandemic is more limited to physical contact, it can be considered more as services-driven
4. This crisis has a varying impact on MSMEs. While in some sectors it is more in others, it is less.
5. There has been a disruption in the productions due to lockdowns, which has resulted in the increased pressure on supply chains.

Similarities

1. Impact on employment will be similar in both the cases, with significant implications for supporting workers in mass unemployment
2. The crisis has staggered effects globally, with Africa likely again to be last to experience (but also least equipped).
3. Governments are facing the challenge of having to act rapidly and on a large scale across a wide range of policy areas.
4. Governments have to think about the immediate term and long term at the same time.

Look beyond the immediate and on the long run how to bring trade on track

While the country goes through a tough time, it is also needed to not just focus on immediate recovery but a mechanism to make a recovery stay on track for a longer run. A possible agreement among countries could include elements such as:

1. **Ensuring transparency**: AMIS, created in the wake of the food price crisis of 2007-2008 for governments to share information on markets, policies, and stocks for key commodities, has underscored the value of timely information and transparency in preventing crises induced by panic buying, hoarding, or export restrictions. Ensuring transparency concerning trade-related measures related to medical supplies, such as through sharing information with the WTO, can play an important role in maintaining confidence in global supply.
2. **Cutting tariffs on essential medical products:** Countries could explore a WTO, including the plurilateral, initiative to remove tariffs on a to-be-agreed list of essential medical supplies (similar to the agreement reached on Information Technology products).

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3. **Disciplines on export restrictions**: This could range from agreement to prohibit export bans for certain kinds of goods, or to codify strict conditions on their use, building on the current G20 agreement that states that: "emergency measures designed to tackle COVID-19, if deemed necessary, must be targeted, proportionate, transparent and temporary, and that they do not create unnecessary barriers to trade or disruption to global supply chains, and are consistent with WTO rules".
4. **Upfront investments in co-operative solutions**: The creation of stockpiles of essential medical supplies could include co-operative arrangements for the creation of such stockpiles, including on a regional basis.
5. **Addressing the needs of the most vulnerable countries:** Measures, for example with export restrictions and creation of regional stockpiles, could include specific exemptions or assistance to address the needs of the poorest countries.

4. THE RELATION BETWEEN GDP AND INTERNATIONAL TRADE

Compared to China export losses are also expected to be high for EAP countries, the study suggests. The novel coronavirus shock could reduce global exports by 4.6 percent and global gross domestic product (GDP) by 3.9 percent, according to a study published by the World Bank. The study by Maryla Maliszewska of the World Bank and other authors consider two scenarios. First, a global pandemic where all countries are assumed to bear 50 percent of the shock felt by China. Second, an amplified global pandemic where the economic shock for the rest of the world is prolonged. In estimating the hit to trade and output, the study examines four different shocks: A small reduction in labor supply, a significant rise in trade costs, falling tourism, and a shift in household demand for consumption goods from outdoor services. In the amplified scenario, these shocks are assumed to be double compared to the baseline. For a non-prolonged scenario, the authors estimate a 2 percent decline in global GDP, a 3.7 percent decline in China's GDP, and a 2.5 percent drop in international exports. For high-income countries, GDP loss is estimated to decline by 1.9 percent. On the other hand, the decline is larger at 2.5 percent for developing nations. In an amplified scenario, the study sees global GDP falling by 3.9 percent, China's GDP falling by 4.3 percent, and global exports declining by 4.6 percent. In both scenarios, the study finds East Asia Pacific (EAP) countries witnessing the largest loss. Depending on the pandemic's intensity, Cambodia and Thailand may likely see a 3-6 percent GDP loss, the highest in this cohort. Singapore, Hong Kong, Malaysia, and the Philippines are expected to witness a bigger impact on their output.

5. INTERNATIONAL TRADE POST-COVID- 19 SCENARIO

The COVID 19 pandemic is the biggest reason for the economic imbalance in the world, as with the health crisis emerging the world trade is witnessing a sharp decline. International trade is expected to decline by 13 percent and 32 percent in 2020 as the ongoing pandemic negative effect disturbing normal economic activity and life around the world. Some countries have been hit with disturbance in the supply chain like the USA, Australia, Canada, and Europe as the flow of trade from China has been disrupted from China forcing them to look for alternate trade partners.

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The Coronavirus has shown the susceptibility of our current economic status, the unpreparedness to overcome the crisis in terms of retaining economic stability. The current issues have shed light on the need for modernization of our trade practices, to adapt to a more sustainable economic model. Risk assessment has now become more important than ever, for companies to design a rational plan to deal with unexpected future economic disturbances.

Increasing Role of Digital Trade

In post-COVID 19 scenarios, technology is going to play a very important role, as it will provide countries smarter supply chain system. According to the Economic Forum, the digital trade system is very crucial for current economic recovery. As the direct movement of goods and people is restricted due to COVID 19, digital trade has played a critical role in maintaining the flow of goods and services -virtually. With time, the dependence on digital trade is increasing. Ongoing lockdown and social distancing norms have changed the behavior of the consumer and the demand approach; the recent demand pattern is migrating to a more minimalist app with e-commerce demand witnessing a surge.

Consumers around the world are using digital platforms to procure essential items as well as on OTT media platforms for the source of entertainment. Digital payments are the preferred mode of payment for domestic trade as well as cross border e-commerce transactions. With technologies like artificial intelligence and the Internet of Things, supply chains could quickly switch to alternative providers when regular suppliers face disruption (Jesse Lin, 2020). The trend is envisaged to continue even after the pandemic ends, given the fact that is much more efficient and reliable, and economically profitable. Cross-border digital connectivity is proving to be a major platform for supporting multinational corporations to function. All businesses are running through digital communication; people can connect while sitting in different parts of the world from the comfort of their homes. It has served as a smart solution for businesses while following the social distancing measures accurately. Along with maintaining connectivity, it has also proved to be an economically smart option by reducing the running costs such as office premises maintenance costs for businesses currently failing to make high profits, it has helped sustain global businesses in this uncertain time.

Diverse Sourcing

The problem with International trade is their over-reliance on single sources to procure material and at times usage of conventional and unreliable supply chains. The need for the hour is to have multiple sources and spread of suppliers to avoid over-dependency thereby have a robust and sustainable supply chain. Nations all across are doling out economic revival package with special provisions like tax reduction, lower interest rates for loans to SMEs and MSMEs to support their sustained economic activity and growth. With the supply gap increasing from trade partners based abroad, the need for domestic industries is to source from a chain of local partners who are more reliable options in the current time. More changes are witnessed in the Health Industry in this health crisis as many medical equipment-like masks, PPE Kits and Ventilators are being produced in-house due to the rapid surge in their prices in the international market due to the emergency need.

CONCLUSION

The COVID-19 pandemic is likely to be known as that inflection point in history which changed the nature of the post-World Trade Organization (WTO) global trade policy environment. Last time when the world witnessed a similar situation it led to the establishment of WTO. When China informed WHO about the Coronavirus, the last of the judges at the appellate body of WTO retired without any replacement being appointed by the members. This has impacted the ability of WTO to ensure members adhere to its rule. The impact of COVID on trade and economy is not hidden from the world and how it has led to a reduction in demand and collapsing trade flow is well known. The world has been dependent on production networks and supply chain disruptions that we have observed puts a question on it. The current economic situation has already been compared to the Great Depression of the 1930s and the financial crisis of 2008-09.

While the global institutions are already trying their best to soften the impact and the world bank released guidance of Do's and Don'ts, WTO still estimates the world trade to fall by 13 - 32 percent. Organizations have also asked the Government across the world to ease out the restrictions on trade. There was already disruption in the global economy pre COVID phase due to unilateral and arbitrary actions. In India, too, the signs of the trade policy turning inward-looking were appearing. These signs include India's hesitation in signing on to the Regional Comprehensive Economic Partnership (RCEP) Agreement without the inclusion of specific measures to protect its interests, increase in anti-dumping and other trade protection actions, and increasing its import duties and new import licensing requirements.

In the post-pandemic environment, many countries are restricting exports to reboot their industries and protect their vital and essential supplies. Taking a lesson from the current pandemic situation industries are ensuring the availability of essentials not only to protect their critical domestic industries but also to diversify their supply chains. This would need diversified policies to achieve the goal. Trade policies can, thus, be expected to become more conservative. This approach is likely to be reflected in the national trade policy of countries in multiple ways. There can be an increase in import tariff and non-tariff barriers. Countries may also look to defend their existing domestic industries through increased recourse to trade remedial measures, such as anti-dumping duties, anti-subsidy duties, and safeguard duties. This would be necessary for the domestic industries, not inherently efficient, to retain their profitability. For India, the rising global uncertainties have also brought the opportunity to attract the American and European manufacturers that intend to migrate or relocate out of China. Other countries such as Japan is reported to offer support to its industries who are planning to move their base back to the home country. Creating a foreign investment-friendly policy environment, focusing on sectors that, amongst other objectives, will also substitute India's import needs, maybe India's best bet to get a head-start in reviving the economy.

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