



# THE POST COVID ANALYSIS OF INDIAN FOREIGN TRADE

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## ABSTRACT

Covid-19 terribly effected International trade. There were economic disruptions around the world. The after effects of Covid were quite different for developed and developing countries. As such world trade started from second quarter of 2020 but it took time to recover and it was in 2021 that significant rise in world trade was noticed which now rose to \$28 trillion in 2021. The south Asia region recovered very fast from the ill-effects of Covid. India being part of it. The objective of the paper is to analyse the effects of pandemic on the parameters of foreign trade on India. The trade indicators prescribed by UNCTAD were used to measure the various parameters of foreign trade of India. The study concluded on the point that due to the economic disturbances of Covid, there was disturbance in the the Indian economy to some extent but then when trading started again after it came back to track and again increasing trend was noticed in exports and imports which further made positive impact on other parameters of trade as well.

## INTRODUCTION

Covid-19 shook the whole world. World trade was also severely affected by it. There was a significant fall in the global trade in 2020 due to economic disruptions that resulted from Covid 19 but there was a significant rise in world trade in 2021. The economic downturn and quick recovery from the effects of Covid-19 have been phenomenal in international trade. There has been great fluctuations in the value of worldwide trade \$25 trillion in 2019 which went down by \$2.5 trillion in 2020 but again rose to \$28 trillion in 2021. It is worth mentioning here that the trade of developing nations recovered faster than developed countries. Exports of developing countries increased by 26% which is much more than of developed countries where rise in exports was by 10%

Similar trends may be seen in imports, but the gap between developed and developing nation is less. Globally, trade in Merchandise has shown better recovery and results and they rose to \$17 trillion in 2020. It has been noted that South Asia recovered very fast from the effects of Pandemic.<sup>1</sup>

## Literature Review

S. Mahendra et.al (2020)<sup>2</sup> described the state of the Indian economy in the pre-Covid-19 period and assessed the potential impact of the shock on various segments of the economy. They analysed the policies that have been announced so far by the central government and the Reserve Bank of India to ameliorate the economic shock and put forward a set of policy recommendations for specific sectors

Carlsson-Szlezak et.al (2020)<sup>3</sup> studied the effect of Coronavirus on the Global economy. They established that Market volatility had sparked fears of a Covid-19-induced recession so to perceive the path ahead, business leaders needed to take a careful look at market signals across asset classes'. They suggested that the leaders of the world to look beyond the markets to recession and recovery patterns, as well as the history of epidemics and shocks.

Kapur et.al (2020)<sup>4</sup> suggested that the Pandemic, has so terrible in its toll of life and livelihoods that the need of the hour must be minimising the health, humanitarian and economic costs, especially for the most vulnerable. Rising public expenditures to help tens of millions of workers and their families alongside plummeting resources would inevitably force hard choices. Appropriately, much of the policy discussion and the government's first response had focussed on addressing the immediate imperatives. But this crisis was also an opportunity to do things that would be not only good for now but for the medium term as well.

Hayakawa and Mukunoki(2021)<sup>5</sup> The study investigated the effects of COVID-19 on international trade First, regardless of which measure is applied to estimate the severity of COVID-19, we found significantly negative effects of COVID-19 on the international trade of both exporting and importing countries. Negative effects were observed on labour-intensive industries, footwear industry transport equipment industry and positive effect was observed on industries providing medical products.

OECD policy responses to Corona Virus (2022)<sup>6</sup> International trade in 2021 has recovered sharply from the slump in 2020. Despite impressive growth rates of world trade flows, the accumulated losses were not yet recuperated by the end of 2021, but the gap can be expected to close in the first quarter of 2022. While total trade flows are now comfortably above pre-pandemic levels, trade impacts across specific goods, services and trade partners are highly diverse and have been creating pressures on specific sectors and supply chains. Substantial imbalances across trade partners and products remained at the end of 2021, most notably an increased merchandise trade surplus in Asia and a widening merchandise trade deficit in the United States as well as in Africa.

Matezo and Matondo (2022)<sup>7</sup> presented the evidence for the impacts of COVID-19 on worldwide trade. The spread of the COVID-19 affects both exporting and importing countries, but our findings indicate that adverse effects on business mainly come from exporters' COVID-19 burden in developing countries. The adverse effects are particularly prevalent in the textile, footwear, and plastic industries.

## OBJECTIVE OF THE STUDY

To study the effects of pandemic on the parameters of foreign trade on India.

## RESEARCH METHODOLOGY

To trade indicators mentioned by UNCTAD have been used to analyse the current position of Indian economy. The indicators namely are trend of exports and imports of India, Export and import propensity, trade balance to GDP ratio and export diversification.

## ANALYSIS AND RESULTS

## 1. TREND OF EXPORTS AND IMPORTS OF INDIA POST COVID

	2020				2021		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
EXPORTS	-10%	-35%	-8%	-8%	8%	22%	27%
IMPORTS	-9%	-47%	-24%	-12%	7%	10%	26%

(Source: UNCTAD – Division on International Trade and Commodities)

The trend of exports and imports show that the trend of exports and imports of India was negative in all the quarters of the year 2020 situation. In Q2 exports reduced more than in Q1 but the situations improved in Q3 and Q4 and in the year 2021 there was positive growth in exports and they were all set to grow at an increasing rate and reached 27% in Q3 of 2021.

As far as imports are concerned there was decrease in imports in Q2 as compared to Q1 but again situation of imports also improved in Q3 and Q4 and there was positive growth in imports in 2021 and imports continuously increased by 7%, 10% and 26% in Q1, Q2 and Q3 respectively.

## 2. EXPORT AND IMPORT PROPENSITY OF INDIA

Year	Export Propensity	Import Propensity
2019	10.97%	16.51%
2020	10.93%	14.77%
2021	9.64%	14.21%

(Source: Economic Survey 2021-22)

The propensity of Exports and imports tell us about the reliance of domestic producers on foreign market. It can be calculated by dividing the value of export or import with the current GDP. According the standard parameters. Both the export and the import propensity from 2019 to 2021 lie between 10% to 20%. We can analyse that both export and import propensity of India are 'low' which means there is low dependency of domestic producers on foreign market.

## 3. FOREIGN TRADE BALANCE TO GDP RATIO

The foreign trade balance-to-GDP ratio shows proportion between the trade balance and GDP of the country. For India it was calculated to be 5.61%, 3.83% and 4.56% for the year 2019, 2020 and 2021. When trade balance to GDP ratio is between '5% to 20%'. It means there is large deficit and if below 5% it signifies very low deficit. So accordingly there was 'large' deficit in the year 2019 which reduced to the category of very low in 2020-21 and 2021-22 because of decrease in volume of trade due Covid..

#### 4. EXPORT DIVERSIFICATION

Hirschman–Herfindahl index commonly known as HHI index is used to measure export diversification .A lower value of HHI is considered better than the higher value .Lower value represents higher diversification and vice versa. It indicates the degree to which a country’s exports are dispersed across different destinations or different goods (at the HS 6-digit level). Low diversification is interpreted as an indication of vulnerability since an exporter being limited to a small number of export markets or goods is more exposed to economic shocks.

The value of HHI for India was 0.05 in 2019-20 and 0.06 in 2020-21.The value lies between 0.05 to0.10 indicating there is ‘moderate diversification’ of exports. It seems that the HHI has been disturbed a little by the Covid situation and rose by 0.01points in 2020-21.

#### CONCLUSION

The study concludes that trend of exports and imports show a negative growth or fall the in year 2020 but both export and imports showed a positive growth and a rising trend in 2021. Export and Import propensity of India are low which means there is low dependency of domestic producers on foreign market. As far trade balance to GDP ratio is concerned according to the standard parameters there was large deficit in the year 2019 which reduced to the category of very low in 2020-21 and 2021-22 .This could be due to decrease in volume of trade due Covid.. The value of HHI for India was 0.05 in 2019-20 and 0.06 in 2020-21.The value lies between 0.05 to0.10 indicating there is moderate diversification of exports. It seems that the HHI has been disturbed a little by the Covid situation and rose by 0.01points in 2020-21.At last it can be said that due to the economic disturbances of Covid disturbed the Indian economy to some extent but then when trading started again after it came back to track and again increasing trend was noticed in exports and imports which further made positive impact on other parameters of trade as well.

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