



ABAC
GRADUATE SCHOOL
of BUSINESS

Au Virtual International Conference 2020
Entrepreneurship and Sustainability in the Digital Era
Assumption University of Thailand
October 30, 2020
Co-hosted by



A Study on Impact of Covid-19 and Potential Opportunities for India's Foreign Trade

Shubhra Bhatia¹, Dr Neeta Vaydande² & Dr Vinod Adwani³

1. Assistant Professor, Research Scholar, Department of Commerce, The Bhopal School of Social Sciences, Bhopal

2. Associate Professor- Department of Commerce, The Bhopal School of Social Sciences, Bhopal

3. Assistant Professor- Department of Commerce, The Bhopal School of Social Sciences, Bhopal

Corresponding Author email address :- bsssplacements@gmail.com; meet_shubhra@yahoo.co.in

Abstract

Indian's foreign trade has been a ride on roller coaster since a few years. Not for the first time has mankind encountered a pandemic of this magnitude, and not for the first time is the question of "What now, what next?" staring us in the face. With global economic giants from the West likely to take more than a telling blow, India's foreign trade position and policies may serve as the 'ventilator' that could be the crucial equipment in keeping the world's economy alive and on a course of recovery. This study aims to objectively analyse the macro-impact of Covid-19 on India's foreign trade, touching upon some of the key sectors that will influence India's position in the export-import matrix and also to unfold and evaluate potential opportunities to India's foreign trade as foreign trade is an instrumental part of economics and is considered as an engine of economic activity.

Keywords: Foreign Trade, Pandemic, Supply Chain, Exports, Imports

Introduction

Since the time liberalization has deepened, the situations always seemed to be improving in Indian economy due to ambitious policy initiatives launched by the government and various structural and fiscal reformations which have brought our foreign trade to an improved position. However, the trade balance of India has consistently witnessed negative growth except few years with expanded exports and comparatively more increased imports. In spite of this, no economy has had GDP development of 7% for a significant stretch. Yet, because of certain choices and new strategy presentation like demonetisation and GST, India's foreign trade has gone to a horrible position and the hole between India's exports and imports has been becoming greater and greater. The circumstance is presently suspected to be more regrettable than the past situation with a prompt upheaval of universally

spread Coronavirus. However, what the novel Corona virus will bring as part of its novelty, is the profound and universal impact that it will have once we start accepting the 'new normal' as part of our lives and routine. This 'new normal' has probably washed away the economic gains of many a decades and the world economy will need to 'sanitize' itself to accommodate new concerns, orders and demands. While reports and studies are evident that what is to follow may outlast in severity, some previous troughs such as the Great Depression, the actual will be more apparent once trade and exchanges commence post the end of 'lockdowns'

It is almost certain that in retrospect, 2020 will be the year that will serve as a crucial 'case study' when the economic history of this new millennial is documented. What began in possibly December 2019 in China, has in less than two quarters, sent the whole world into a tragic, disruptive and chaotic

frenzy. SARS, MERS, Ebola and other such fatal viruses consumed lives by scores however their impacts were localized and hence curtailed. As much as lockdown seemed to be the ‘first-aid’ that mitigated the immediate blood-loss during this global-accident, it is not a cure in itself. The necessity of implementing lock down in order to disconnect the chain of virus has made the situation worse for the world’s major economies in general and for India in specific. What seemed like a health crisis to begin with has now mutated itself into a crucial full-blown survival catastrophe.

With lifestyles, businesses and economies not looking anywhere close to what they looked like a couple of months ago, it is yet to be seen how and where mankind has collectively reached on this curve to absorb this jolt and move further towards recuperating from its effects. As nations, governments and authorities grapple and experiment with modulating lockdowns acknowledging that it is high time to spark new ignitions in their economies, the curve for sure, is still far away from flattening.

Worldwide trade is a key sufferer of this outbreak, with the potential for broad financial commotion. Variables like supply chain disturbance, demand shock and the approaching recession will undoubtedly affect global exchange much further, which is as yet recuperating from the ongoing trade wars. India has popped up as a significant exporting country as of late and this pandemic will undoubtedly hinder India's export targets. According to a United Nations Conference on Trade and Development (UNCTAD) report, a 1% decrease in GDP growth of the world prompts around 1.88% decrease in Indian exports to the world.

Hence the research has been undertaken with the following objectives:

1. To study impact of the Covid- 19 on India’s foreign trade post pandemic.
2. To analyse several potential opportunities to enhance India’s foreign trade serving as an opportunity for us to excel in the world market.

Research Methodology:

The study is descriptive and exploratory and is intended to contemplate socio-economic aspects & viewpoints with the outburst of this pandemic. Foreign trade is a significant sector of Indian economy and witnessed few changes and furthermore will change fundamentally thus affecting our economy. There are various authentic sources which publishes Covid-19 related data and information on different dimensions. Hence secondary source of data shall be used for the study. Different distributed sources, for example, papers, government reports, hierarchical sites, trade journals and so forth will be reviewed to gather the data and information. The information has been inspected from authentic government measurable sources and confided research associations. Figures of imports and exports pre and post corona shall be used for analysing the pattern and performance of India’s foreign trade. Components such as trade balance, exchange earnings, various sectors adding to India’s foreign trade etc are designed to add to the knowledge that has assisted with canvassing effect and opportunities for India in the midst of universal pandemic. It also facilitated to uncover India’s status at global level during this critical situation and the role of India’s foreign trade to assist the economy with evacuating out of such situation.

Impact and Potential Opportunities of Covid-19 on India’s Foreign Trade

India posted a trade surplus of \$790 million in June 2020, for the first time in over 18 years, with imports plunging as the Covid pandemic discouraged homegrown interest for raw petroleum, gold and other modern items, mirroring an easing back economy. Imports of raw petroleum, electronic things, gold adornments and different items fell forcefully during the three months to end June. The data revealed that the complete product imports fell by more than 50 percent to \$60.44 billion during April-June quarter while exports were down 36.71 percent from the year-prior period to \$51.32 billion.

According to a study conducted by the Federation of Indian Chambers of Commerce and Industry (FICCI), over half of Indian organizations perceive the alarming effect on their operations and

this in turn would bring down trend in cash flows. The limited import of raw materials from China can postpone the normalcy conditions for business organizations in India. Business process functions of most ventures are severely. In India MSME contributes nearly about half to the country's exports. It constitutes a very significant segment of India's economy in the manufacturing sector. Direct exports from MSME sector accounts for 35% of the total exports.

India's exports in 2018-19 were \$331 billion. But due to Covid the scenario is very gloomy dipping exports. According to the report spread of Covid19 has not only pulled down the world sentiments to its lowest but also has affected the global supply chain and brought economies in recessionary conditions as the exporters couldn't transport merchandise because of lockdown and the requests were either dropped or deferred.

Due to the corona effect, India's exports plunged by a record 34.57 percent in March due to steep decline in shipment of leather, gems and jewellery and petroleum products dragging the total exports in 2019-20 down to USD 314.31 billion as against USD 331 billion in 2018-19.

In the midst of pandemic, the Government of India made a declaration of 20 lacs crore package as a stimulus measure to make Atmanirbhar Bharat as an economic support and to promote manufacturing activities thereby increasing exports. This would give India an opportunity to focus on manufacturing and export activities.

Further, improving the export competitiveness of states can likewise mitigate regional disparities

through export-led development and the consequent ascend in standard of living. " COVID- 19 pandemic has provided extraordinary opportunities to India and its businesses to becoming a major global manufacturing hub.

There is a solid conviction Indian economy holds the potential to bounce back quickly on the rear of a huge number of fiscal and economic measures undertaken by the government such as reduction in corporate tax rates, further reforms in the GST regime, revamping labour laws, taking measures to guarantee ease of doing business, to attract and draw in foreign investment.

Data Analysis:

Covid Pandemic has given a major hit to the previously easing back India's exchange particularly trades. Study reveals that India is predominantly dependent on EU, USA, China and South East Asian nations, by and large contributing around two third of India's exports and imports separately. India's exchange has a lot of presentation to the nations which are harshly influenced by Coronavirus like USA, EU and China, with two-fifth of exports and one-third of import shares. It is significant that India' exports and imports exposure to EU, USA and China together are two-fifths and one-third respectively. Since these countries may face recession post Covid, so there are bleak chances of rising exports to them in near future.



Export of Selected Major Commodities for April- August 2019 and April-August 2020
Values in Rs Crore

S. No.	Commodities	April to Aug 2019	% Share	April to Aug 2020	% Share	% Growth
1	Engineering Goods	232650.81	25.06	201884.16	27.4	-13.22
2	Petroleum Products	124167.78	13.38	63596.82	8.64	-48.78
3	Gems & Jewellery	109347.47	11.78	45036.70	6.12	-58.81
4	Organic & Inorganic Chemicals	65050.31	7.008	64145.23	8.72	-1.39
5	Drugs & Pharmaceuticals	58961.76	6.35	72103.41	9.8	22.29
6	RMG of all Textiles	47353.79	5.10	27022.08	3.67	-42.94
7	Electronic Goods	32006.04	3.45	23678.93	3.22	-26.02
8	Cotton Yarn/Fabs./Handloom etc.	29175.90	3.14	23238.98	3.16	-20.35
9	Plastic & Linoleum	23411.43	2.52	23759.42	3.23	1.49
10	Marine Products	18961.99	2.04	15888.99	2.16	-16.21
SUB TOTAL		741087.28	79.84	560354.72	76.2	-24.39
OTHERS		187156.57	20.16	175481.15	23.8	-6.24
GRAND TOTAL		928243.85	100	735835.87	100	-20.73



Source: Ministry of Commerce & Industry, Dept. of Commerce, GOI.

As we can perceive from the above table, that there is a sharp decline in the volume of Indian export from the pre-Covid period. Total export decreased by more than 20% and exports of top ten commodities additionally demonstrating a decrease of 24.39%. Excluding the segment of drugs and pharmaceuticals, a critical decrease is noticable in the export of all the major commodities. The export of only drugs and pharmaceuticals is showing 22% growth over pre-Covid period. There is an intense decline in the export volume of gems and jewellery, petroleum products and RMG of all the textiles with

around 59%, 49% and 43%. On other hand the change in the volume of plastic and linoleum with chemicals is nominal. In the terms of top two export items the position of post Covid is same as during the pre Covid period. Engineering goods and petroleum products are our top two export articles. However there is a significant decrease in percent share for petroleum products, gems and jewellery. The share of petroleum products is decreased by 4.74% and of gems and jewellery by 5.66%. On other hand the percent share of export volume of drugs and pharmaceuticals expanded by 3.45%.

Import of Selected Major Commodities for April- August 2019 and April-August 2020

S R	Commodities	April to Aug 2019	% Sh	April to Aug 2020	% Sh	% Growth
1	Petroleum, Crude	391293.04	26.68	196183.35	21.99	-49.86
2	Electronic goods	169315.28	11.54	129408.99	14.51	-23.57
3	Machinery	112492.24	7.67	72059.54	8.08	-35.04
4	Gold	101160.34	6.89	46238.40	5.18	-54.20
5	Coal, Coke	74250.24	5.06	41435.19	4.65	-44.20
6	Organic & Inorganic	67762.54	4.62	54010.70	6.06	-20.20

Source: Ministry of Commerce & Industry, Dept. of Commerce, GOI.

As we can perceive from the above table, that there is a sharp turn down in the volume of Indian import from the pre Covid period. Total import decreased by over 39% and imports of top ten commodities also demonstrating a decrease of 43.44%. It implies the decreasing trend in imports is more than the decrease in the exports volume. A significant shrink is visible in the import of all the major commodities.

Values in Rs Crore

7	Pearls, precious stones	64304.34	4.38	23458.22	2.63	-63.52
8	Transport equipments	64138.53	4.37	24376.38	2.73	-61.00
9	Iron & Steel	53392.16	3.64	29682.93	3.33	-44.41
10	Artificial resins	45881.11	3.13	30215.58	3.39	-34.14
	SUB TOTAL	1143989.82	78	647069.28	72.54	-43.44
	OTHERS	322670.08	22	244909.15	27.46	-24.10
	GRAND TOTAL	1466659.90	100	891978.43	100	-39.18

There is extreme decline in the import volume ranging from 23% to 64%. The imports of pearls and precious stones decline by 63.52% , transport equipments by 61.99%, gold by 54.29% and petroleum, crude products by 50%. In the terms of top two import items, the position of post Covid is same as during the pre Covid period. Petroleum, crude products and electronic goods and are our top



ABAC
GRADUATE SCHOOL
of BUSINESS

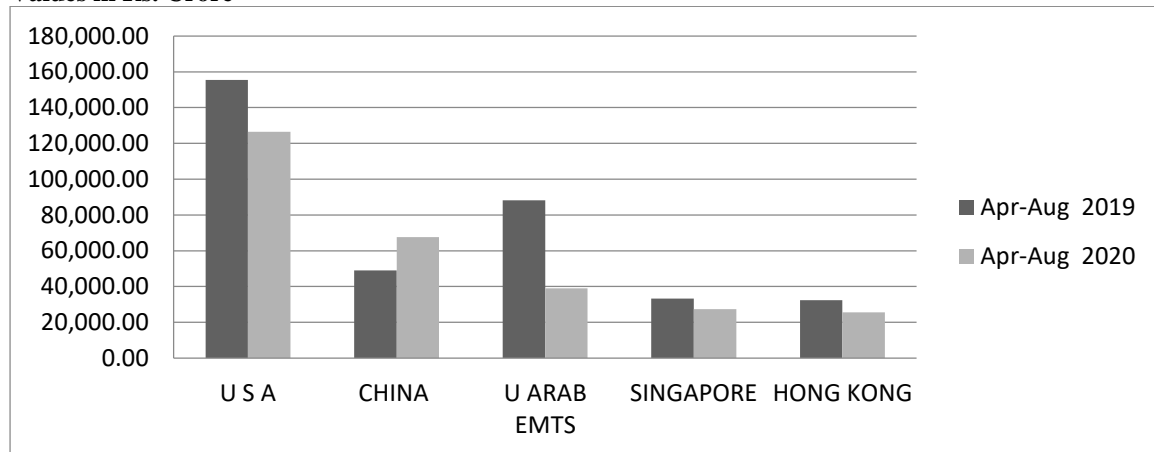
Au Virtual International Conference 2020
Entrepreneurship and Sustainability in the Digital Era
Assumption University of Thailand
October 30, 2020
Co-hosted by



two import articles. However there is a significant decrease in percent share for petroleum products, it is decreased by 4.69%. On other hand, the percent

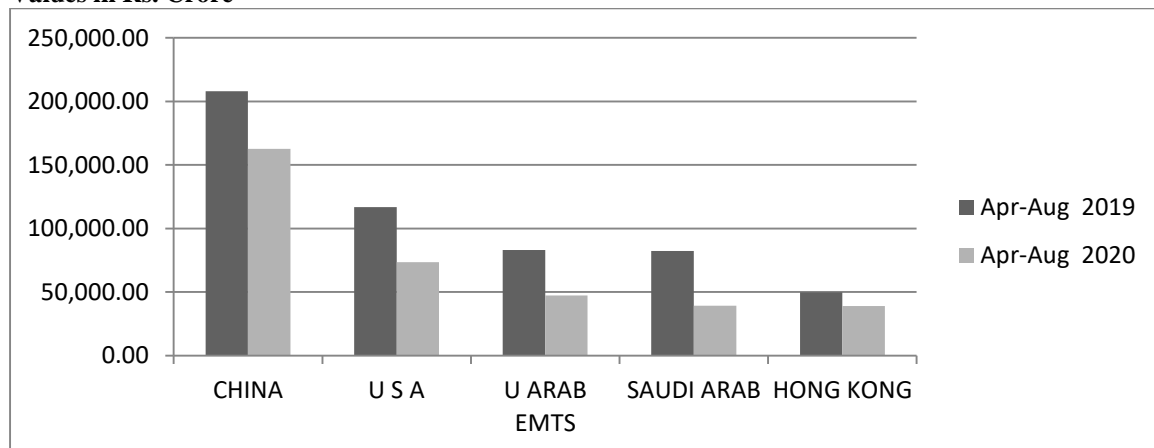
share of export volume of electronic goods increased by 2.97%.

Top Five Countries In Terms Of Export From India (For April- August 2019 And April-August 2020)
Values in Rs. Crore



Source: Ministry of Commerce & Industry, Dept. of Commerce, GOI.

Top Five Countries in Terms of Import into India (For April- August 2019 And April-August 2020)
Values in Rs. Crore



Source: Ministry of Commerce & Industry, Dept. of Commerce, GOI.



The Export Preparedness Index (EPI) 2020 sets out to evaluate the availability of the Indian states regarding their export potential across four pillars, eleven sub-pillars, and 55 pointers. The four broad pillars are Policy, Business Ecosystem, Export Ecosystem and Export Performance. The focal thought is to perceive the novel qualities and competitive advantage of each state, and to form strategies and practices appropriately. Further, a state may perform outstandingly well in one pillar and ineffectively in the other, which makes cover activities inadequate in tending to the different issue. Endeavors ought to be made at the grassroots too to drive an export driven development.

India's average score on the EPI is 39 out of 100, which shows the enormous potential India holds towards changing into an export based super economy. In the state-wise appraisal, Policy and Business Ecosystem are the most elevated scoring pillars, with the Export Ecosystem being the most unscoring column. This infers India has a helpful business climate and positive strategies set up however they are not converting into a solid fare environment.

Some of the drawbacks obstructing export preparedness in many states are poor trade support, gaps in export infrastructure, basic trade support, lack of access to financial facility and low export credit. Delving further into the state-wise analysis shows that no state has been able to score well on every pillar, barring exceptions like Gujarat and Maharashtra whose scores do not show much disparity across pillars. In this way, many states' export potential and competitive advantages remain untapped.

Conclusion:

This research study envelops only the impact of Covid-19 on India's foreign trade and other factors that would affect India's foreign trade are ignored. There is no doubt that the effect of Covid-19 on India's international trade will be enormous, but, as India begins on its journey of self-reliance and export expansion in these tumultuous times, the states need to take on the reins and adapt their efforts with the emerging trends in globalisation. The EPI 2020 can serve as a guide to the sub-national governments in creating an enabling framework and removing the bottlenecks that afflict their respective export sectors.

While India is among the main five economies around the world, it possesses the seventeenth position regarding worldwide merchandise trade beginning out of the nation. The leveling of development reflects more extensive basic issues in Indian exchange, which should be handled

desperately. The COVID-19 pandemic offers a decent open door for policymakers to reevaluate procedures for expanding a lot of exports in the worldwide setting. The economy is going towards a downturn and all round, focused and forceful fiscal measures is the demand of the situation.

References

1. Abu Bakar, N. & Rosbi, S. (2020). Impact of Coronavirus Disease 2019 (COVID-19) to Equity Market and Currency Exchange Rate. 11. 22-31. 10.9790/5933-1102062231
2. Acharjee, S. (2020). Pandemics of the Past. Retrieved 19 June 2020, from <https://www.indiatoday.in/india-today-insight/story/coronavirus-pandemics-of-the-past-1656730-2020-03-18>
3. Albulescu, C. (2020). Coronavirus and financial volatility: 40 days of fasting and fear. arXiv preprint arXiv:2003.04005
4. Bhavesh Garg and Pravakar Sahoo, "Corona Crash: Need Global Efforts to tackle Global Crisis", Policy Brief, No. 12, 2020, Institute of Economic Growth, Delhi.
5. Chakraborty, S. (2020, August 29). India's international trade a victim as coronavirus grips the world. <https://www.business-standard.com/>
6. Dev, S. M., & Sengupta, R. (2020). Covid-19: Impact on the Indian economy (No. 2020-013). Indira Gandhi Institute of Development Research, Mumbai, India.
7. Dubey, P. (2020). Analysing the Impact of COVID-19 on Indian Exports and Global Business - Part 1. *dripcapital.com*. India Posts First Trade Surplus In 18 Years As Coronavirus Hits Imports. (2020, July 15). *ndtv.com*.
8. Maital, S., & BARZANI, E. (2020). The Global Economic Impact of COVID-19: A Summary of Research. Samuel Neaman Institute for National Policy Research. (India Posts First Trade Surplus In 18 Years As Coronavirus Hits Imports, 2020)
9. Pravakar, Sahoo & Bishnoi, Ashwani & Sahoo, Pravakar. (2020). COVID-19 AND INDIAN ECONOMY: Impact on Growth, Manufacturing, Trade and MSME sector.
10. Sahoo, P, (2020), "The Policy Response to Minimize the Fallout of Covid-19 on Trade and MSMEs" in the volume "Covid 19- Challenges for Indian Economy", Prepared by EEPC, ASEAN-India



ABAC
GRADUATE SCHOOL
of BUSINESS

Au Virtual International Conference 2020
Entrepreneurship and Sustainability in the Digital Era
Assumption University of Thailand
October 30, 2020
Co-hosted by



Center, 2020. [https://www.eepcindia.org/eepc-download/617- Covid19 Report.pdf](https://www.eepcindia.org/eepc-download/617-Covid19-Report.pdf)
11. WTO (April 08, 2020). Trade set to plunge as COVID-19 Pandemic upends global economy. Press Release.
https://www.wto.org/english/news_e/pres20_e/pr855_e.htm