

AN EXAMINATION OF INDIA'S INTERNATIONAL TRADE WITH SELECT ECONOMIES DURING COVID-19 TIMES

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ABSTRACT

The COVID-19-led pandemic, the Russia-Ukraine War, and the emergence of China-plus-one and Europe-plus-one strategies have challenged the foreign trade policies of developing countries like India. Preliminary statistical data from other countries have shown adverse effects from impaired trade due to COVID-19 restrictions. Almost all countries globally were hit after WHO declared the pandemic in January 2020. A few countries, like India, got hit again with the second wave in April 2021. A literature review showed little research done to determine how India's foreign trade got hit with its neighboring countries. Trade data analysis from 2017-2022 showed that India's foreign trade got severely hit during the pandemic but quickly recovered during 2021-22 as countries began to come out of lockdowns and resumed to resume their normal foreign relationships. These policies have implications for both academicians and policymakers.

Keywords: trade policy, trade neighbors, balance of payments.

INTRODUCTION

International Trade is crucial for developing countries working toward poverty reduction and sustainable growth (Wang et al., 2022). Countries like India were able to make policy changes regarding Liberalization, Privatization, and Globalization to achieve a certain level of

economic growth. However, the COVID-19-led pandemic, the Russia-Ukraine War, and the emergence of China-plus-one and Europe-plus-one strategies have further changed the dynamics of international trade, especially of India with other countries. Indonesian foreign trade concerning oil and gas exports and imports of raw materials and capital goods for impact (Nur Syamsiyah, 2021). Researchers suggested that Pakistan restore the normalcy of its supply chain and cargo transportation (Hussain & Saboor, 2021). In the case of Bangladesh, COVID-19 taught the need for export diversification with home textiles, jute and jute goods, footwear, leather goods, agro-processing, light engineering, and electronic goods as the potential sectors (Siddiquee & Faruk, 2020).

The Classical School of Economics recognized the significance of international trade in the seventeenth century. Adam Smith and David Ricardo proposed the magnitude of international trade for economic development. In the modern era, the importance of trade is growing with the increasingly global needs. The expansion and exposure of goods and services in the international market are becoming a common factor in the competitive world of the twenty-first century. Improvement of the Global Economy is a critical factor of development. Thus, for the optimum utilization of resources, which is an essential factor of economic development, international trade is a

key element. In the modern world, every nation's priority is its citizens' welfare, which is only possible with economic growth and development. Developing nations worldwide continue to struggle with poverty, food scarcity, inequality, and illiteracy, and some are in miserable conditions where they cannot meet their basic needs. Any country will inevitably experience industrialization to facilitate trade and accelerate growth and development. International trade is essential in developing nations to reduce poverty and attain sustainable growth.

The incorporation of trade among the nations raised the living standards of nations. The income levels of developing economies improved due to their sharing in International trade. Trade progress is less rapid in some countries, especially in Africa and the Middle East; because of this, the poorest countries have witnessed a substantial decline in the share of their world trade.

As one of the developing nations, India has widened the scope of international trade with liberalization, Privatization, and Globalization policies. Though this policy brought changes in the economic standards of India, there are still barriers to International trade. Many countries are coming forward for trade agreements, but there are certain blocks, too, like SAARC, WTO they entered into for doing in international trade and made many trade agreements with neighboring countries. Though there are certain restrictions in the trade policies of India, like EXIM, with the introduction of the liberalized policy, Indian firms entered into trade with individuals or with joint ventures to do export and imports. Gross domestic productivity at the current price in India is estimated at 232.2 trillion (US dollars

3.1 trillion) in 2021-22. These figures are evidence that India's trade and external sector significantly impacted GDP growth and expansion in per capita income. The changing scenario of the world economy that is before the pandemic is undoubtedly challenging to world trade. Concerning India and the effects of the pandemic on trade, this paper concentrated on the contribution of international trade to the growth of developing countries.

The World Health Organisation (WHO) declared a global health emergency in January 2020 due to the coronavirus outbreak, which started in late 2019 and spread quickly throughout the world. About 210 nations were affected, including USA, Spain, Italy, France, and Germany. Owing to this outbreak, broader restrictions were taken by countries concerned with health-related, but as mobility of people, goods, and services were controlled, resulting in business downfall, production downfall, and a disruption in global & domestic supply chains.

In India, the second wave started on February 2021 and was aggravated in April 2021. The country was severely affected by many new cases, and active death was recorded. The pandemic almost affected the life of every household. Consequently, strict restrictions have been imposed in many parts of the country, including partial/complete lockdowns and curfews.

REVIEW OF LITERATURE

Adam Smith's *Wealth of Nations* (Smith, 1776) and David Ricardo's *Principles of Economics* (Ricardo, 1817) were the base for the evolution of trade today. The two volumes represent the development of a free trade doctrine founded

on England's remarkable success in related industries and commerce.

Terms of trade can be used as a powerful tool to display trade inequities in developing countries. Johnson's "trade-cum growth" and Bhagirathi's immiserizing growth models of the 1960s explained the effect of trade on growth. Regarding the growth rate of trading countries, Bhagwati identified the relevance of terms of trade movements as factors that influence trade. The Raul Prebisch (1968) and Hans Singer (1950) observations reveal that secular trade decline was experienced by the primary producing and exporting countries. Haberlar report on International Trade from GATT (1956) added information that supported the hypothesis on factors explaining the deficit in demand for exportables from the semi-industrialized countries in advanced-country markets. The low import content of production due to the technological changes in advanced nations is the reason behind the above-cited point (deficit in demand for exportables).

As it was well said, "...industrialization is a significant factor in the long-term tendency for exports of the semi-industrialized to rise even more slowly than those of non-industrial countries" (Heberler, 1968). In addition, according to (Panagariya, 2003), "Whether trade openness will accelerate growth or not depends on a large number of other factors such as macroeconomic stability and investment in physical and social infrastructure. (Stone et al., 2009) holds the view that trade is an essential driver of growth and infrastructure is a necessity of trade.

The Indian economy underwent substantial changes since mid-1991. The key changes were increasing the significance of international

trade and capital flows. From 7.2 percent in 1980 to 13.3 percent in 1990–1991 and then to 38.9 percent in 2008–2009, the GDP movement was attributable to the trade in goods increased. In the view of (Kaur & Sidhu, 2012), in the last two decades, drastic changes have occurred globally during liberalization and globalization. At the moment Indian government also took a step forward toward the process of domestic and external economic reforms in the early 1990s.

(Goyal, 2016) emphasizes the significance of exports as they help the country's economic growth by contributing to foreign exchange reserves. The study shows that trends prevailing in exports of India established that despite the US subprime crisis, in the merchandised exports of India, there was a remarkable growth rate of 15.79 percent for ten years (2004-2013-14). Researchers attempted to analyze instability in the trend of foreign exchange reserves in India from 2000-01 to 2017-18 (Rajanbabu & Srilaka, 2019, pp. 2017–2018). In order to give a detailed analysis of the paper, he has used co-variance and instability index using the variables like SDR, Gold, FCA, and RTP in the foreign exchange reserve from the Indian capital market. The study shows a significant change in the FOREX reserves over the study period. (Mohammed Suliman & Abid, 2020)' s research that he conducted was about the long-run relationship between the oil prices of Saudi Arabia and the real exchange rate of the country. The study result was that there was strong co-integration between the variables.

An empirical evaluation of the impact of social distancing on economic activities and the stock indices showed a negative effect on economic activities during the lockdown. However, the

restrictions on international movement and monetary policy hurt trade, whereas fiscal policy spending had a positive impact even though there was an increase in Coronavirus cases (Ozili & Arun, 2020).

A study on the impact of COVID-19 on the various sectors of the economy suggested that Indian businesses have to use specific strategies to handle the effect of the coronavirus (Rakshit & Paul, 2020).

Further, a favorable macroeconomic environment is also necessary to establish the linkage between openness and productivity growth. However, there was a decline in trade during 2021. Total trade flows are slowly recovering around the world. The changes experienced in trade structure worldwide during COVID-19 in a single year over the globe are similar to changes otherwise generally seen over four to five years.

Significant imbalances across all the trade partners and products were visible by the end of 2021. The recovery from all the losses made earlier during the pandemic will not be smooth. The changes in the trade flow across products, high uncertainty, and adjustment costs are additional incentives to the consumers, firms, and government to go for new or intensify existing –risk lessening strategies.

According to Sanjay Aggarwal, Research Bureau, Chamber of Commerce & Industry, "The second wave of coronavirus has struck like a storm throughout the country, with record new cases and deaths. Although the low base effect and rapid economic recovery had raised expectations of double-digit growth in 2021–2022, the pandemic has led to slowing indicators. It is necessary to remove the

industry's and trade's vulnerability to maintain the financial action in letter and spirit. Although we hope the second coronavirus wave will subside sooner rather than later, this must be done first. Going forward, a substantial stimulus to create effective strides for a futuristic growth trajectory for the Indian economy and the Indian economy and for diminishing the daunting impact of the second wave of the COVID-19 pandemic on the economy, trade, and industry would be crucial to support the economic momentum in this challenging time."

Research Gap

Numerous research on the effects of international trade on diverse economies during and after pandemics have been undertaken globally. As COVID-19 differs from previous pandemics, the available literature in this area is limited. Within the available literature, very few papers discussed the focus on the Indian economy, thereby creating an academic research gap in the subject area.

RESEARCH OBJECTIVES

1. This study focuses on the impact of COVID-19 on the international trade of developing nations, particularly India, with the neighboring Nations Indonesia, Bangladesh, Pakistan, Afghanistan, Bhutan, China, Myanmar, Nepal, Srilanka, and Maldives.
2. To assess the influence of foreign trade on the Indian economy.
3. To examine the effect of the pandemic on Foreign Trade of developing nations with inference to India.

SIGNIFICANCE OF STUDY

1. The development of any country depends on its domestic trade. Each nation will need to satiate its desires for the welfare of its people jointly. Every country can achieve a rich and

high standard of living with effective international trade.

2. The paper, by the end, is coming out with findings regarding the progress of developing nations and the role of international trade in improving the economic status of nations.

3. India has gone through severe economic fluctuations since independence with the introduction of a new industrial revolution policy. From a few decades, the graph of the Indian economy on trade rising ahead, the data and tables collected will present the current status of the Indian economy and the role of international trade.

4. Global trade is recognized as an essential factor for the stable economic development of the nation. Many developing countries were severely impacted by the COVID-19 pandemic, which led to their financial collapse. The study with all the secondary data and tabulations proves advantageous to Academicians and Scholars.

RESEARCH DESIGN & METHODOLOGY

The approach of the study is comparative in nature. The data collected is secondary, with the interpretation of secondary data sources regarding India with a few other neighboring countries (Indonesia, Bangladesh, Pakistan, Afghanistan, Bhutan, China, Myanmar, Nepal, Sri Lanka, and Maldives). The output has been drawn showing the conditions of international trade after the pandemic. The theme of the paper is to assess the impact of COVID-19 on the international trade of the Indian economy with neighboring nations.

Data Sources

The data was collected from external sources, government sources, scientific journals, trade, business, professional associations, etc.

Study Period

As the theme of the paper is to assess the impact of COVID-19 on the international trade of India with different developing nations during COVID-19, the period of study that has been taken is between 2017-2022.

Data Variables

The variables examined as a part of the study are: Export (in Rs. Lakhs), Percentage Export Growth, India's Total Export, Percentage Total Export growth, Percentage Total Export share, Import (in Rs. Lakhs), Percentage Import Growth, India's total Import, Percentage Total Import growth, Percentage Total Import share, Total trade growth, India's total trade, Total Trade growth, Total Trade Percentage share, Trade balance, and India's total trade balance.

DATA ANALYSIS

Foreign trade data collected is being consolidated into a single table to make a fair comparison with other neighboring nations.

FINDINGS / RESULTS

The Research findings emanating from the study are as follows:

Country	Percentage of share total foreign trade of India	Foreign Trade Growth achieved in 2021-22
Indonesia	2.53%	50.79%
Bangladesh	1.75%	70.03%
Pakistan	0.05%	58.28%
Afghanistan	0.10%	-19.52%
Bhutan	0.14%	26.78%
China	11.18%	34.96%
Myanmar	0.18%	46.66%
Nepal	1.06%	48.17%
Sri Lanka	0.66%	66.17%
Maldives	0.07%	236.94%

Except for Afghanistan, the findings of this research align with other researchers, such as in the context of China (Fang et al., 2022).

ORIGINALITY

The literature review revealed that fewer studies were done amidst the geo-political situations, such as the COVID-19 pandemic, Russia-Ukraine War, and recent foreign strategies. Therefore, this research is novel by being an early study that reflects the trends during this period.

RESEARCH LIMITATIONS

The findings from this research will be helpful to academicians and policymakers specializing/working on foreign trade and related studies.

CONCLUSIONS

The current research examined foreign trade of India with neighboring nations. Trade data of India with Indonesia, Bangladesh, Pakistan, Afghanistan, Bhutan, China, Myanmar, Nepal, Srilanka, and Maldives was examined. The research finds that trade got severely hit during the pandemic but quickly rose during 2021-22 as countries began to come out of lockdowns and resumed to resume their normal foreign relationships.

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