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ABOUT US

LexForti is a free open access peer-reviewed journal, which gives insight upon broad and dynamic legal issues. The very objective of the LexForti is to provide open and free access to knowledge to everyone. LexForti is highly committed to helping law students to get their research articles published and an avenue to the aspiring students, teachers and scholars to make a contribution in the legal sphere. LexForti revolves around the firmament of legal issues; consisting of corporate law, family law, contract law, taxation, alternative dispute resolution, IP Laws, Criminal Laws and various other Civil issues.

Impact of Covid-19 on the Global Trade and Investment

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ABSTRACT

The outbreak of pandemic Covid-19 all over the world has disturbed the political, social, economic, religious, and financial structures of the whole world. Due to this unwanted pandemic economic and financial matters have warned about the worsening condition of the global pandemic and financial structures. As the virus has spread all over the world, many countries have already taken or will eventually take action to limit the spread, through social isolation policies, shutting educational institution, limiting work and restricting the mobility of people. By looking at the current situation multiple businesses are backing out as well as the investors are removing money from multiple businesses. World Health Organization(WHO) first declared Covid-19 as a world Health emergency in January-2020. In a strong and integrated world, the impact of the disease go way beyond morality. The functioning of global supply chains has been disrupted, affected companies across the globe. In the middle of the turbulence, the International Monetary Fund(IMF) has developed some new estimates for growth in 2020. After the unstable developing economy, central banks are intervening in different financial markets, the national and international government are announcing policies which will help to stabilize the economy of different countries.

INTRODUCTION

COVID-19 is a humanitarian crisis on a global scale. The virus continues to spread throughout the globe, placing health systems under unprecedented stress in the battle to save lives. The human scale of this tragedy is set to worsen as the virus spreads to lower-income countries with weaker health-care systems. A further challenge is an uncertainty about COVID-19, including in terms of the scale and pace of infection; how long and widespread shutdown measures will prove necessary; the prospects for treatments to better manage symptoms, allowing health services to focus only on the most serious cases; and the risk of "second wave" infections as the virus moves around the globe. The virus is proceeding in waves, with countries succumbing and set to recover at different times. What is clear is that the virus and its aftermath looks likely to be with us for some time. Against this background, there is a clear need to keep trade flowing, both to ensure the supply of essential products and to send a signal of confidence for the global economy. Trade is essential to save both lives and livelihoods.

THERE ARE DIFFERENT ACTIONS THAT CAN BE TAKEN NOW

1. Boost confidence in trade and global markets by improving transparency

A strong, shared, transparent information base is critical in underpinning sound national policy responses and the international co-operation to keep trade flowing. It will be critical that countries honour their commitments to notify trade-related measures taken in response to COVID-19 to the World Trade Organisation (WTO). The OECD is sharing information on trade-related country actions on COVID-19 with WTO colleagues, and assessing the likely impact of these actions to help support policymakers dealing with the crisis.

Building on our annual *Monitoring and Evaluation of Agricultural Policies* we are tracking and assessing the impact of country measures in relation to agri-food production and trade in response to COVID-19. We are bringing this information to AMIS (Agricultural Market Information System), where we work with other international organizations and governments to ensure accurate, up-to-date information on market developments and country policies in critical commodities for the global food system.[1]

2. Keep global supply chains going, especially for essentials

An important priority is keeping the key supply chains for essential goods for the crisis – including medical supplies, food products, and ICT goods and services – open and functioning. However, we are starting to see a number of challenges to keeping these supply chains going related to the business of trade.

For example, Cancellation of passenger flights linked to travel bans has limited the availability of air cargo while urgent shipping of essential goods has increased demand, resulting in increases in the price of air cargo (compared to October 2019 air freight costs are up by about 30% between the People's Republic of China (hereafter "China") and North America and by over 60% on some important Europe-North America routes. Delivery times have also increased. This matters for some time-sensitive medical supplies, but also for some high-value food trade.

Important shipping ports reported year-on-year drops in cargo between 10% and 20% in February. Over 50 countries have changed port protocols, ranging from port closure and quarantine measures to additional documentation requirements and examination. That said, some countries have also set up "green lanes" at ports of entry and border crossings, to accelerate the processing of cargo shipments.

At the time the virus struck, large numbers of shipping containers were in Chinese ports, and restrictions on their movement have led to a shortage that has seen the price of containers rise (in some cases considerably), with flow-on effects for the price of a cargo, including food products.

Lockdowns are also impacting the availability of labour to unload ships at ports (notably in countries where this is less automated) or raised costs due to increased protective measures for workers. More generally, all supply chains are being affected by the need to ensure additional health and safety measures for all participants in the supply chain (which affect costs and time). Limits on the mobility of people and lockdowns are affecting a variety of trade processes, from physical inspections of goods for SPS to

1 https://www.expertmarketresearch.com/reports/impact-of-covid-19-trade-and-investments-market

testing and certification for TBT, to changing how anti-dumping investigations are conducted.[2]

3. Avoid making things worse

There are many unavoidable costs in the current pandemic; all the more reason to avoid actions that add to costs for traders and consumers. Chief among these is the need to avoid export restrictions on essential goods, such as medical equipment and, especially, food products. Currently, more than 60 countries have restricted exports of essential goods and increasingly agriculture and food products.[3]

The lesson of the food price crisis of 2007-08 is that export restrictions are a recipe for self-inflicted harm, undermining food security for everyone. Experience has shown that export restrictions temporarily lower domestic prices and raise availability, but they also discourage domestic production and so any benefit tends to be short-lived. Critically, by diverting supplies from world markets, they put upward pressure on international prices, which harms other countries – in particular, those most dependent on international markets for food. Export restrictions risk undermining confidence in international markets and can precipitate hoarding and panic buying, further accentuating problems in import-dependent countries. Ultimately, nobody benefits.

There is currently no supply problem in global agriculture and food markets; indeed, at present, stocks are strong and prices look set to stay low. However, if governments engage in export restrictions or if individuals, firms, or countries engage in panic buying or hoarding there is a risk of creating an avoidable problem now.

While there is not an immediate threat to global supplies of basic foodstuffs, there is the potential for specific food supply chains to be severely disrupted, including from lack of seasonal workers for planting or harvesting key crops, logistics constraints, and additional SPS and technical measures. Vigilance will be required to ensure that crisis- or policy-induced risk factors do not cause disruptions in supply, in particular, if the containment measures related to COVID-19 are long-lived.

The global market situation for medical supplies is very different; there is a critical need to increase the overall global supply of essential medical supplies for com-batting

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2 https://economictimes.indiatimes.com/:Global economy and trade

3 World Health Organization:Times Of India

COVID-19 such as ventilators and masks. Governments need to invest urgently in boosting production capacity, including in co-operation with the private sector, for local, regional, and global markets.

HOW GOVERNMENT SUPPORT IS DESIGNED MATTERS

Support granted today will have an important impact on the global level playing field. OECD(Organization for Economic Cooperation and Development) works on a range of sectors, most recently on industrial sectors such as aluminium and semiconductors, show that high levels of government support are having important effects on production levels and global competition. This work has highlighted new trends towards non-transparent and significant government support provided through the financial system in the form of below-market loans and government equity. Given that these tools will be important and widely used in the crisis – equity positions, in particular, can be an effective way for governments to support ailing firms in the short term – how governments approach this support, and its unwinding (or not) will be critical to the future shape of competition in the global economy. There will be a need to consider carefully which sectors the state needs to be involved in for longer, and where it should exit as soon as possible. The current crisis may well result in a longer-lasting change in the role of the state in the economy – which will also have implications for the development of any new trade rules to address government support. Given that experience across a range of sectors, from agriculture to fossil fuels, suggests that any form of support, once given, can be hard to remove, there is significant potential for a wide range of support to persist and exacerbate concerns about unfair competition in the global economy.[4]

These elements are mutually reinforcing. The scale of public investments needed during and after the crisis – from health systems and social protection, to access to education and digital networks – underscores the need for support to firms and sectors to be as efficient as possible to maximize available public resources. Well-designed support will also be less market-distorting and give rise to fewer concerns about the impact on international competition. Fairness is both the national-level distribution of benefits and in global competition is essential for maintaining public support for trade and the open markets needed to get through and emerge from the crisis.

[4] https://www.indiatoday.in/: action of government during covid-19

Even now, as governments are in crisis mode, there is a need to pay attention to the design of essential support. There is a wealth of experience in minimizing the competitive distortions from support on which to draw, including in relation to government-invested firms. Some *key principles*[5] include that support granted is:

1. Transparent – including with regard to the terms of any support through the financial system;

2. Non-Discriminatory among-st similarly affected firms and targeted at those experiencing the most disruption, while avoiding rescue for those who would have failed absent the pandemic;

3. Time-bound, and reviewed regularly to ensure that it is hitting its target and remains necessary; and

4. Targeted at consumers, leaving them to decide how to spend any support, rather than tied to consumption of specific input and final goods and services.

FIRMS AND GOVERNMENTS WILL NEED TO RE-THINK RESILIENCE IN GLOBAL SUPPLY CHAINS

There is a live debate over the impacts of COVID-19 on the structure of global production and global supply chains. For some, COVID-19 argues for supply chains to be re-nationalized, or at least shortened, to reduce risks from global exposure. From this perspective, firms may need to re-think sourcing decisions, resulting in re-ordering of global production, with potentially far-reaching implications, especially for developing countries. Equally, it is argued that governments will need to reconsider the list of strategic goods for which there is a requirement for domestic production or impose new sourcing constraints on businesses. Government procurement practices may also be revisited.

Yet there is a danger of making quick assumptions about what is necessary to ensure resilience. Internationally, diversified production is often a source of resilience and adjustment for firms in an adverse environment, while experience in the agri-food sector has shown that self-sufficiency of supply is not the same as the security of supply. There will also be a need for both firms and governments to think again about how best to ensure the resilience of supply chains. This will require a better understanding of the

[5] https://www.weforum.org/

strengths and vulnerabilities of key supply chains in the current crisis and looking again at resilience tool kits in light of this. For firm strategies, this can mean re-examining, for example, the structure of businesses globally including in relation to redundancy capacity and inventory stocks. For governments there will be a need to consider the trade and investment policy environment that can best support resilience; for example, the availability of digital infrastructure to reduce productivity hits in pandemics or improvements to trade facilitation practices to minimize scope for disruptions related to face-to-face processes. Governments may also need to consider special arrangements for specific supply chains for strategic goods such as medical equipment; however, this should not necessarily be equated with re-shoring of production. For face masks, for example, it would be very costly for each country to develop a production capacity matching the current crisis demand and encompassing the whole value chain; an alternative, effective and more cost-efficient solution may involve the development of strategic stocks of upstream agreements with companies enabling rapid conversion of assembly lines during crises.[6]

FIXED DEPOSIT, GOLD OR EQUITY? HOW TO INVEST FOR BEST RETURNS IN TIMES LIKE COVID-19

An unprecedented economic situation, like the one we currently find ourselves in, it requires more effort than normal. The International Monetary Fund(IMF) has put the economic fallout of the current Covid-19 crisis in the category of a severe recession, worse than the 2008 subprime crisis. The prices of commodities have fallen globally. Crude oil prices became so volatile that at one point it was trading in negative.[7]

1. Diversification must not be ignored

Diversification allows protection to the investment portfolio against the adverse impact of market volatility. If your investment portfolio is adequately diversified, you can overcome the losses to some extent due to one of your underperforming asset classes through the better returns generated by another asset class. For example, in the current scenario, if you invest in gold, FD, and equities, your equity investments may fetch negative returns due to market volatility, but gold and FD returns can help in limiting the overall loss. Similarly, in the current market, whosoever has diversified his investment

[6] https://home.kpmg/:Business implication of covid-19

[7] https://www.expertmarketresearch.com/

portfolio to include gold, FD's, or small saving schemes along with equities, his portfolio will be doing better than those investors who would have invested only in equities. That being said, it is important to avoid over-diversification and select the asset classes as per your financial goals, risk tolerance, and liquidity requirements.

2. Focus on investing in installments and holding it for the long-term

When you invest in high-risk instruments like equities, you should focus on holding it for the long-term. Also, instead of a lump-sum investment, investing through installments like the mutual fund Systematic Investment Plans (SIP) can help you to get the benefit of rupee-cost-averaging and reduce your investment risk at the same time. When you invest continuously with a long-term view, you start seeing the market crash as an opportunity to make value investment. The market usually revives in the long-term, and it could either be a "V" or "U" shaped recovery, but in both cases, long-term investors are likely to make more money in comparison to investors who keep a short-term view.

3. Take steps to secure your financial goal

Your investments should be strictly in sync with your financial goals. If you are chasing short-term goals, you may focus on relatively secure investments like bank FDs or liquid mutual funds, whereas for your long-term goals, you may invest in equities for high return requirements, and small saving schemes or gold for low to medium return requirements. However, it is important to secure your goal if your investment achieves the target corpus before completing the tenure. For example, suppose you need a corpus of Rs. 20 lakh for buying a home after 10 years; for this, you started investing in an equity SIP with a return expectation of 12% p.a. But after six years, you reached closer to your goal in such a way that even if you withdraw the equity SIP and put that money in a bank FD for the remaining tenure, you'll still get the desired corpus. In such a case, you'll be well-advised to secure your goal by redeeming risky investments and putting your funds in a safer instrument to ensure you achieve your goal on time

4. Don't leverage to invest money

Living on high debt and investing money in high-risk instruments at the same time can prove to be counterproductive when the market becomes extremely volatile, like in the current situation. The Covid-19 crisis has led to countless people losing their income streams which has made debt repayments extremely challenging. On top of that, the value of several investment classes has gone negative. In this situation, there are chances that people who are living on high debt may be forced to liquidate their investment at heavy losses to ensure they are able to repay their EMIs on time. The point being always factors in your debt situation while evaluating your investment risk tolerance, i.e. your actual ability to take investment risk which is determined by your income, debt situation, insurance cover, etc. Your risk tolerance can be different from the generic consideration of your risk appetite, i.e. your willingness to take investment risk, which is mostly determined by things like your age and expertise.

CONCLUSION

As the spread of the virus is likely to continue disrupting economic activity and negatively impact manufacturing and service industries, especially in developed countries, we expect that financial markets will continue to be volatile. There is still a question as to whether this unfolding crisis will have a lasting structural impact on the global economy or largely short-term financial and economic consequences. In either case, it is evident that communicable diseases such as COVID-19 have the potential to inflict severe economic and financial costs on regional and global economies. Because of high transportation connectivity, globalization, and economic disconnectedness, it has been extremely difficult and costly to contain the virus and mitigate the importation risks once the disease started to spread in multiple locations. This warrants international collective action and global investment in vaccine development and distribution, as well as preventive measures including capacity building in real-time surveillance and the development of contact tracing capabilities at the national and international levels. As outbreaks of novel infections are not likely to disappear in the near future, proactive international actions are required not only to save lives but also to protect economic prosperity.