

TRADE IN TATTERS: THE HINDU EDITORIAL ON THE GLOBAL CORONAVIRUS SLUMP

Relevant for: International Relations | Topic: World Trade, WTO and issues involved

The only certainty right now in a pandemic-gripped world is the all-enveloping uncertainty. And the [WTO acknowledged](#) as much when it released its outlook for global trade last week. Projecting merchandise trade to plummet by anywhere between 13% and 32% in 2020, it added a categorical caveat: at the moment, it is only able to posit a wide range of possible trajectories for the predicted decline in trade given the unprecedented nature of the health crisis caused by the [COVID-19](#) outbreak and the uncertainty around its precise economic impact. Economists at the WTO, however, appear more certain that the disruption and resultant blow to trade will in all likelihood be far worse than the slump brought on by the global financial crisis of 2008. As [IMF Managing Director Kristalina Georgieva observed](#) on April 9, the global economy is set to contract sharply in 2020, with “the lockdown needed to fight” the pandemic affecting billions worldwide. The tight restrictions on movement and social distancing norms across geographies have led to severe curbs on labour supply, transport and travel and the shuttering of whole sectors from hotels and non-essential retail to tourism and significant parts of manufacturing. The WTO expects all regions, save Africa, West Asia and the Commonwealth of Independent States, to suffer double-digit declines in exports and imports this year even under its “optimistic scenario”, which postulates a recovery starting in the second half.

The WTO and the IMF chief have pointed to the fact that unlike the recession that accompanied the global financial crisis just over a decade ago, the current downturn is unique. Global supply chains have increased in complexity, especially in industries such as electronics and automotive products, making them particularly vulnerable to the current disruptions, with countries that are a part of these value linkages set to find trade more severely impacted. Also, services trade — in which India has a higher global share as an exporter (\$214 billion, or 3.5%, in 2019) than in merchandise exports — may be significantly affected by the transport and travel curbs. A small sliver of silver in this bleak outlook for services trade is the role that the WTO sees for information technology services as companies try to enable employees to work from home and people order essentials and drugs online and socialise remotely. India’s IT exporters have been busy supporting their overseas clients’ business continuity plans in the face of the pandemic and may find this hand-holding at a time of dire need earning them loyalty-linked business when economic activity revives. Still, as the WTO chief, Roberto Azevêdo, crucially observes, a rebound in global economic activity will require trade to flow freely across borders as vitally as any fiscal or monetary stimulus. The world will be best served if nations do not turn insular and erect new barriers to the movement of goods, services and people in the aftermath of the pandemic.

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