

## **Impact of Covid 19 on global trade and Investment**

The World Trade Organization (WTO) has projected that the global trade may plummet between 13% and 32% across every region and sectors in the year 2020. The United Nations Conference on Trade and Development (UNCTAD) had also forecasted that global Foreign Direct Investment (FDI) may decrease up to 40% in 2020, from its 2019 value of USD 1.5 trillion, bringing the value of FDI to below USD 1 trillion. It is forecasted that the FDI flows to the developing Asian countries may decline between 30% to 45%.

At the start of the crisis, many countries introduced trade restrictions, like restrictions on exports to meet the domestic demand due to uncertainty in reopening of lockdowns and borders which halted global trade in goods and services due to Covid 19 pandemic. The export restrictive measures were mostly accompanied by liberalising of import duties on items in high demand, such as medicines, medical supplies, and food. The WTO reported that up to 80 countries/customs territories have introduced these export restrictions; these measures are temporary and are intended mainly to reduce the spread of the virus but they also undermine the longer-term health and food security protection of vulnerable countries compromising their access to essential goods to fight the pandemic. But there are risks that temporary trade policy changes erected during pandemic may prolong and used as permanent trade barriers

## **Trade in Goods during Covid- 19**

Global merchandise trade has registered a historic fall in the second quarter of the year 2020, according to the latest reading of the WTO's Goods Trade Barometer, a real-time gauge of trends in global trade. This is because of the impact of Covid-19 Pandemic and ensuing disease containment measures taken by the countries in the form of complete and partial lockdowns of economies, suspension of international

air travel, closure of borders affecting trade in goods and services. Projections are made by researchers in the WTO that partial upticks may be recorded in the world trade and output in the third quarter, but the extent of any such a recovery remains highly elusive to prediction and immediate V shape recovery cannot be ensured.

The WTO's June statistics implied a 14% drop in global merchandise trade volume between the first and second quarters of 2020. This estimate suggests that world trade in 2020 is evolving in line with the less pessimistic of the two scenarios outlined in the WTO's April forecast, which projected that the volume of merchandise trade this year would contract by 13% compared to 2019.

### **Impact on Supply Chains**

Two main forces are determining trade trends in the industry sectors — the effect from the lockdowns- complete and smart lockdowns affecting the productions of major manufacturing hubs; and the demand shock in the hospitality and travel sectors. These forces trigger a ripple effect along the supply chains with sectors significantly affected being automotive, textiles and electronics. Global output is expected to drop 13% for automotive, 8% for both textiles and electronics as well as 5% for headline manufacturing, and aerospace and other transport equipment. In services sectors the travel, hospitality and tourism remained the hardest hit sectors resulting in job losses in many countries. However, hardest-hit sectors are likely to see the strongest recovery as compressed demand is likely to be released in line with a recovery in sentiment, and results in production ramp up. After a dramatic decline in the first half (H1) of 2020, the hardest hit sectors will experience a recovery in second half (H2) of 2020. The only benign affects the pandemic has had on trade ; have been registered in the ICT sector which showed a positive

growth within the economies and growth in exports in the countries where exports are dominated by IT services/ online trade through e-commerce.

The OECD states that additional trade and investment restrictions are increasing throughout the world. Therefore, it can also be expected that foreign trades in the region will be affected significantly as in other parts of the world.<sup>xiii</sup>

According to WTO, under the optimistic scenario, import in most part of the ECO region<sup>1</sup> will decrease by 10% (for Turkey -10.3% and for Pakistan -11.8%) bringing it to the total of 314.8 billion USD in 2020<sup>vii</sup>, the pessimistic

**Table 1: Impact of COVID-19 on imports in ECO Region**

Import in Million USD	Optimistic				Pessimistic	
	Import 2018	Import 2019	Import 2020	Import 2021	2020	2021
<b>ECO</b>	<b>404,243</b>	<b>351,207</b>	<b>314,802</b>	<b>372,126</b>	<b>255,827</b>	<b>312,988</b>
<b>Afghanistan</b>	<b>7,407</b>	<b>3,754</b>	<b>3,379</b>	<b>3,838</b>	<b>2,906</b>	<b>3,429</b>
<b>Azerbaijan</b>	<b>11,460</b>	<b>13,649</b>	<b>12,284</b>	<b>13,955</b>	<b>10,565</b>	<b>12,466</b>
<b>Iran</b>	<b>41,236</b>	<b>27,148</b>	<b>24,433</b>	<b>27,756</b>	<b>21,013</b>	<b>24,795</b>
<b>Kazakhstan</b>	<b>32,534</b>	<b>38,357</b>	<b>34,521</b>	<b>39,216</b>	<b>29,688</b>	<b>35,032</b>
<b>Kyrgyzstan</b>	<b>4,907</b>	<b>4,904</b>	<b>4,413</b>	<b>5,014</b>	<b>3,796</b>	<b>4,479</b>
<b>Pakistan</b>	<b>60,391</b>	<b>37,837</b>	<b>33,372</b>	<b>41,081</b>	<b>25,918</b>	<b>32,424</b>
<b>Tajikistan</b>	<b>3,144</b>	<b>3,328</b>	<b>2,995</b>	<b>3,402</b>	<b>2,576</b>	<b>3,039</b>
<b>Turkey</b>	<b>223,047</b>	<b>200,659</b>	<b>179,991</b>	<b>215,809</b>	<b>142,669</b>	<b>177,622</b>
<b>Turkmenistan</b>	<b>2,803</b>	<b>2,637</b>	<b>2,373</b>	<b>2,696</b>	<b>2,041</b>	<b>2,409</b>
<b>Uzbekistan</b>	<b>17,314</b>	<b>18,934</b>	<b>17,041</b>	<b>19,358</b>	<b>14,655</b>	<b>17,293</b>

Source: ITC, WTO, ECO.

scenario indicates import decline by 22.6% for most of the region (for Turkey - 28.9% and for Pakistan -31.5%) considering it be to 255.8 billion USD, as can be observed in the Table 1.

**Table 2: Impact of COVID-19 on the exports in ECO Region**

Optimistic (Estimated)		Pessimistic (Estimated)				
Exports in Million USD	Exports 2018	Exports 2019	2020	2021	2020	2021
<b>ECO</b>	<b>393,507</b>	<b>320,990</b>	<b>286,982</b>	<b>332,464</b>	<b>247,027</b>	<b>288,954</b>
<b>Afghanistan</b>	<b>885</b>	<b>709</b>	<b>652</b>	<b>708</b>	<b>652</b>	<b>713</b>
<b>Azerbaijan</b>	<b>19,489</b>	<b>19,636</b>	<b>18,065</b>	<b>19,618</b>	<b>18,065</b>	<b>19,745</b>
<b>Iran</b>	<b>96,618</b>	<b>26,988</b>	<b>24,829</b>	<b>26,964</b>	<b>24,829</b>	<b>27,138</b>
<b>Kazakhstan</b>	<b>60,956</b>	<b>57,723</b>	<b>53,105</b>	<b>57,672</b>	<b>53,105</b>	<b>58,044</b>
<b>Kyrgyzstan</b>	<b>1,765</b>	<b>1,966</b>	<b>1,808</b>	<b>1,964</b>	<b>1,808</b>	<b>1,976</b>
<b>Pakistan</b>	<b>23,779</b>	<b>20,746</b>	<b>17,945</b>	<b>22,414</b>	<b>13,236</b>	<b>18,014</b>
<b>Tajikistan</b>	<b>1,074</b>	<b>1,116</b>	<b>1,027</b>	<b>1,115</b>	<b>1,027</b>	<b>1,122</b>
<b>Turkey</b>	<b>167,924</b>	<b>171,098</b>	<b>150,224</b>	<b>181,020</b>	<b>114,978</b>	<b>141,078</b>
<b>Turkmenistan</b>	<b>10,098</b>	<b>9,922</b>	<b>9,128</b>	<b>9,913</b>	<b>9,128</b>	<b>9,977</b>
<b>Uzbekistan</b>	<b>10,919</b>	<b>11,086</b>	<b>10,199</b>	<b>11,076</b>	<b>10,199</b>	<b>11,147</b>

Source: ITC, WTO, ECO

The export in the region will be impacted severely as well. Export, in the optimistic scenario, in most part of the ECO region will decrease by 8% (for Turkey -12.2% and for Pakistan -13.5%) shrinking to 286.9 billion USD in 2020.

In the pessimistic scenario it will decrease by 8% for most part of the region (for Turkey - 32.8% and for Pakistan -36.2%) and will be 247 billion USD in this year. According to this projections however, the recovery in both in optimistic and pessimistic scenarios will be possible in 2021, as it is given in Table 2 below.<sup>1</sup> pessimistic one would be 25%. The trade realizations in the first half of 2020 further substantiate such findings, prophesying considerable trade decline in the ECO region. According to IMF figures trade has declined by -3.5% in the first quarter of 2020, globally/<sup>111</sup>

This projection in general, indicates that under the optimistic scenario, the total trade volume will be 601.7 billion dollar while the pessimistic one portrays it to be 502.8 billion dollar. In 2019, trade volume of the region stood at 671 billion

dollars. Thus, the expected total trade volume would decrease by 10.3% under optimistic scenario, whereas the level of decrease as per pessimistic one will be 25%. According to IMF figures trade has declined by -3.5% in the first quarter of 2020. xiv

### **Impact of Covid-19 on Imports/Exports in ECO Region.**

Trade in goods within ECO region has registered a decline of (-) 50.9 % in the month of Feb' 2020 over Jan'2020 in the three reported countries i.e. Turkey, Kazakhstan, Kyrgyzstan and Pakistan. Turkey has further reported a decline of (-) 36% in trade in goods in June '2020 over July 2019 as given in Table 3 given below.

**Table 3 : List of importing markets in eco for the product**

Product: All products

When a group has members that did not report, the group value is shown in red

Unit : US Dollar thousand

Importers	Imported value in 2019-M07	Imported value in 2019-M08	Imported value in 2019-M09	Imported value in 2019-M10	Imported value in 2019-M11	Imported value in 2019-M12	Imported value in 2020-M01	Imported value in 2020-M02	Imported value in 2020-M03	Imported value in 2020-M04	Imported value in 2020-M05	Imported value in 2020-M06
eco Aggregation	26,231,221	22,786,783	23,950,261	25,560,559	24,932,416	26,618,245	26,115,979	20,137,089	21,523,494	13,552,420	13,386,712	16,307,756
Turkey	18,192,654	14,915,477	16,350,308	17,334,552	17,609,259	18,853,762	19,204,105	17,633,167	18,810,655	13,552,420	13,386,712	16,307,756
Kazakhstan	3,902,048	3,719,450	3,403,619	3,759,807	2,983,136	3,323,812	2,418,454	2,232,089	2,447,946			
Kyrgyzstan	428,672	432,145	428,045	409,653	418,015	417,757	367,462	271,833	264,893			
Pakistan	3,707,847	3,719,711	3,768,289	4,056,547	3,922,006	4,022,914	4,125,958					

Source : ITC WTO

The month on month comparison of imports of the ECO region from the world (Table 4 given below) indicates a decline of (-) 22 % in Feb' 2020 over Jan' 2020

and (-) 37% in April' 2020 over March' 2020. There is a rebound of 21% in June '2020 to suggest that the trade in goods has registered a regain after easing of lockdowns and removal of border restrictions.

**Table 4: List of Global supplying markets for a product imported by eco**  
Product: TOTAL All products

Unit : %

Exporters	Imported growth in value between 2019-M07-2019-M08, %	Imported growth in value between 2019-M08-2019-M09, %	Imported growth in value between 2019-M09-2019-M10, %	Imported growth in value between 2019-M10-2019-M11, %	Imported growth in value between 2019-M11-2019-M12, %	Imported growth in value between 2019-M12-2020-M01, %	Imported growth in value between 2020-M01-2020-M02, %	Imported growth in value between 2020-M02-2020-M03, %	Imported growth in value between 2020-M03-2020-M04, %	Imported growth in value between 2020-M04-2020-M05, %	Imported growth in value between 2020-M05-2020-M06, %	Imported value in 2020-M06, US Dollar thousand
World	-13	5	6	-2	6	-1	-22	6	-37	-1	21	16,307,756
China	-9	4	13	-3	6	0	-46	-13	-8	19	3	1,934,971
Germany	-22	18	-3	6	14	-28	15	23	-32	-14	23	1,526,707
Russian Federation	0	-6	-1	7	7	-13	-8	-13	-51	-2	0	1,183,380
Iraq	5	-3	4	-28	6	155	-5	-61	-67	395	93	906,796
United States of America	-34	22	1	-8	9	24	-23	23	-50	2	1	778,721
Italy	-18	-13	24	-15	23	-25	9	16	-55	11	40	676,842
Area Nes	-7	9	0	-10	22	31	-21	-5	-53	-6	0	651,557
United Arab Emirates	0	15	-4	-12	19	-3	-63	-18	-16	83	41	586,299
France	-27	6	21	-1	12	-27	15	9	-42	-10	37	497,281
Brazil	-2	8	-9	-38	36	17	-27	41	12	23	16	424,629
India	-23	18	-1	-8	-2	2	-26	1	-24	-36	81	388,792
Spain	-15	20	1	7	2	-4	-5	7	-30	-25	68	365,483
Korea, Republic of	0	-14	28	-49	-11	9	-8	23	-6	-18	-24	360,878
Belgium	-21	5	-11	53	3	-26	-16	22	-21	2	38	327,598
United Kingdom	-37	13	32	-15	46	-16	-25	6	-40	-38	67	320,525
Switzerland	-8	7	213	41	-57	39	-42	319	-86	-16	139	279,957

On a quarterly canvas , the world exports of ECO region have reported a decline of (-) 15% in the first quarter (Q1) of 2020 over fourth quarter (Q4)of 2019. The decline in the exports of the region continued in the second Quarter (Q2) of 2020 with figures of (-) 43 % in Q2 of 2020 over Q1 of 2020,(Table 5 below)

Major decline in ECO exports in percentage terms has been has been reported to main export destinations like EU, USA, UK etc but exports to China have not been affected in second half Q2 of 2020.



**Table 5 : List of importing markets for a product exported by ECO**

Product: TOTAL All products

Unit : %

Importers	Exported growth in value between 2017-Q3-2017-Q4, %	Exported growth in value between 2017-Q4-2018-Q1, %	Exported growth in value between 2018-Q1-2018-Q2, %	Exported growth in value between 2018-Q2-2018-Q3, %	Exported growth in value between 2018-Q3-2018-Q4, %	Exported growth in value between 2018-Q4-2019-Q1, %	Exported growth in value between 2019-Q1-2019-Q2, %	Exported growth in value between 2019-Q2-2019-Q3, %	Exported growth in value between 2019-Q3-2019-Q4, %	Exported growth in value between 2019-Q4-2020-Q1, %	Exported growth in value between 2020-Q1-2020-Q2, %	Exported value in 2020-Q2, US Dollar thousand
World	13	-1	1	0	9	-8	1	-1	7	-15	-43	32,393,917
Germany	9	1	-2	-5	5	-4	-3	0	5	-7	-24	3,071,510
United States of America	7	-7	-1	25	-3	-14	10	-3	5	-25	-10	2,277,706
United Kingdom	12	-2	1	9	3	-10	-10	24	-8	-20	-30	1,932,050
Iraq	-14	-2	-6	8	18	-13	-2	6	23	-18	-15	1,865,748
Italy	17	15	-3	3	0	-13	-5	-5	13	-3	-69	1,421,854
France	17	13	-3	-15	23	-6	11	-10	-1	-13	-48	1,261,689
Netherlands	6	18	7	-12	2	-23	28	5	-3	-13	-58	1,033,224
Spain	3	6	19	-19	8	13	-14	13	-17	-14	-49	1,025,404
Israel	29	10	-7	-7	15	5	-1	2	4	1	-28	907,993
Russian Federation	19	-1	13	-14	8	-2	6	3	15	-20	-61	856,426
Romania	20	16	1	-15	24	-10	13	-8	7	-1	-48	735,830
Belgium	18	11	-4	-11	28	-22	-4	-13	21	-3	-30	724,650
China	33	-17	-2	5	21	-9	16	-13	6	-12	-76	647,795
Egypt	41	-11	9	5	15	-9	-6	11	9	-6	-31	616,404
Poland	31	0	-13	9	2	-12	1	4	-6	-2	-40	581,141
Saudi Arabia	19	-3	4	-11	15	20	0	-7	-7	4	-31	581,035

## **Impact of Covid 19 on Trade in Services in the ECO Region**

Services sectors have been heavily affected by the COVID-19 pandemic both domestically and in relation to international trade. Three major sectors i.e. tourism, transport and distribution services, have suffered adversely as a result of restrictions on mobility and travel, social distancing measures and lockdowns imposed for public health reasons. Nevertheless, the crisis has spotlighted the importance of services that enable online supply (Mode1 of GATS) such as telecommunications and computer services, as well as the broader infrastructural role of transport, financial, distribution and logistics services in facilitating trade and economic growth. The services sector is pivotal in providing inputs for other economic activities, including connecting of supply chains, facilitating trade in goods through transpiration channels, mobility of men and material; any disruptions in services supply have attested a broad economic and trade impact.

The type and extent of effects on trade in services vary by sector and mode of supply. The affects on different modes of services supply are explained below:

1. Trade in services that involves proximity between suppliers and consumers has been severely impeded. GATS mode 2 consumption abroad (supply in the context of the movement of consumers abroad) and mode 4 natural persons (involving the temporary movement of natural persons) have been largely paralyzed.

2. The crisis is leading to a greater focus on online supply in many new sectors such as retail, health, education, telecommunications and audiovisual services. Suppliers are accelerating efforts to expand their online operations and consumers are adopting more interest in online shopping which may contribute to a long-term

shift towards online services. In the future, increased supply of services through digital networks could increase trade through mode 1 (cross-border supply).

3. The increased use of online services during the COVID-19 pandemic has reflected pronounced disparities in technology and connectivity as online classes are not feasible for students without computers, and telework is not an option for employees without broadband. Operators in developed and developing countries alike; suspended data limits and boosted data capacity during the pandemic

4. Services sectors, and the creation of conditions conducive to trade in services, will be key to the recovery from the economic slowdown.

The trade in services in the ECO region has been affected in the same way, the global services sector has got a hit. As shown in the table, the reported data in 6 out of ten ECO countries shows that in the first quarter (Q1) of 2020 there is a decline of (-) 48.9 % in trade in services over Q4 of 2019. Turkey reported a decline of (-) 52.9% , Kazakhstan (-) 71.7% , Pakistan (-) 90.2% in the same period as given in Table 6 below.

**Table 6: List of exporters for the selected service**

Service: S - All services

Sources: ITC, UNCTAD, WTO trade in services database based on [Eurostat](#), [International Monetary Fund](#) and relevant national statistical authorities statistics.

When a group has members that did not report, the group value is shown in red

Data reported according to the BPM6 methodology are shown in blue.

The values shown in light green are estimated by UNCTAD, WTO and ITC.

Unit : US Dollar thousand

Exporters	Exported value in 2018-Q2	Exported value in 2018-Q3	Exported value in 2018-Q4	Exported value in 2019-Q1	Exported value in 2019-Q2	Exported value in 2019-Q3	Exported value in 2019-Q4	Exported value in 2020-Q1
ECO Aggregation	21,877,366	26,407,568	20,515,393	16,108,528	20,679,669	28,389,353	22,100,284	15,737,503
Turkey	13,747,000	20,088,000	15,360,000	11,010,000	15,258,000	22,250,000	16,378,000	11,350,000
Kazakhstan	1,897,776	2,012,581	1,808,842	1,645,056	1,885,386	2,292,421	1,950,724	1,489,555
Pakistan	1,456,520	1,471,110	1,549,070	1,546,060	1,400,100	1,295,140	1,539,950	1,411,880
Azerbaijan	1,316,698	1,564,105	652,649	820,565	886,914	1,146,889	907,112	725,977
Uzbekistan	687,490	750,795	738,472	636,119	788,649	849,602	820,751	596,228
Kyrgyzstan	204,884	259,801	195,215	212,063	260,465	351,430	258,701	163,863
Iran, Islamic Republic of	2,282,000							
Afghanistan	231,013	193,752	147,406	187,919	140,595	135,872	180,993	
Tajikistan	53,985	67,424	63,739	50,746	59,560	67,999	64,053	

**Table 7: List of importers for the selected service**

Service: S - All services

Sources: ITC, UNCTAD, WTO trade in services database based on [Eurostat](#), [International Monetary Fund](#) and relevant national statistical authorities statistics.

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Unit : US Dollar thousand

Importers	Imported value in 2018-Q2	Imported value in 2018-Q3	Imported value in 2018-Q4	Imported value in 2019-Q1	Imported value in 2019-Q2	Imported value in 2019-Q3	Imported value in 2019-Q4	Imported value in 2020-Q1
ECO Aggregation	21,642,636	17,295,922	17,069,686	14,714,972	15,902,079	16,385,766	16,733,147	14,259,107
Turkey	7,149,000	7,114,000	7,492,000	6,574,000	6,619,000	7,043,000	7,779,000	6,997,000
Kazakhstan	2,936,566	3,322,165	3,188,234	2,538,818	2,806,776	3,036,444	3,046,413	2,325,375
Pakistan	3,318,008	2,883,018	2,752,065	2,418,989	2,882,086	2,393,146	2,139,071	2,156,053
Azerbaijan	1,752,834	1,831,155	1,539,280	1,320,948	1,630,832	1,744,027	1,681,336	1,552,448
Uzbekistan	1,249,170	1,417,349	1,381,950	1,190,154	1,311,048	1,456,937	1,402,733	1,055,282
Kyrgyzstan	263,769	237,933	234,033	220,704	284,220	270,859	245,044	172,949
Iran, Islamic Republic of	4,558,000							
Afghanistan	309,000	369,787	360,786	349,807	244,780	321,461	296,525	
Tajikistan	106,289	120,515	121,338	101,552	123,337	119,892	143,025	

## **Trade Restrictive Measures Taken by Countries to Address Covid-19**

According to a WTO study, more than 80 countries and territories took some sort of action to ensure that goods in high demand, such as medicine, food and medical supplies would keep flowing to their citizens. The measures can be divided into two main categories: tightening of export restrictions and relaxation of import restrictions.

The report while noting that the implementation of such measures was more than justified by the need to contain the spread of the virus, it warns that in the longer

run they may damage smaller countries that rely on imports for health and food security. It warns against turning these temporary policies into “permanent trade barriers.”

According to an International Trade Center (ITC) study, a total of 295 trade-related measures were implemented by 139 countries and territories. The first thing that catches the eye is that out of 295 measures, 156 were restrictive and 139 liberalizing with 132 measures focused on exports and 163 on imports. The ITC noted that the vast majority of export measures (127 out of 132) were restrictive with 89 measures specifically limiting or prohibiting exports in some form or other.

Import measures, on the other hand, were mostly liberalizing (134 out of 163) and ranged from tariff reduction to trade facilitation measures such as the simplification of certification requirements.

Essential products such as food, medicine and medical products (medical supplies, personal protective equipment (PPE) and medical equipment) were the main targets of restrictive actions on exports and not surprisingly accounted for the bulk of liberalising measures on imports.

The impact of Covid-19, so far, has been in line with optimistic approach projected in the WTO research report but it is not certain that how the patterns and trade costs will The panacea for a V shape rebound in economy is possible , through regional integration in trade and investment.