

COVID-19: It's Impact on International Trade and Relations

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Abstract: *A virus has disrupted the functioning of the whole world and has brought all the developments on a halt. Even the greatest economies of the world are facing the wrath of this virus, called as COVID-19 as it is a type of already existing Corona Viruses. With its fast spreading rate and being highly contagious, the whole world has been put under the lock down. With millions of cases worldwide and near half a million deaths, it has brought almost an abrupt stop to once thriving economies. This virus has taken down the world's largest economy and regarding India, since the economy was already plunging into lower levels never witnessed before for over a decade, it has become a cause of concern for the governments, corporate house and any business establishments whether small or large.*

Keywords: COVID-19, Corona Virus, Public and Private Sectors, Force majeure, N-95 Masks, Hydroxychloroquine, International Trade

1. Introduction

This era is the era of Globalization, commercialization, industrialization, privatization and what not. People from all over the world are actively participating in transactions, trade, businesses, and several other kinds of relations with each other. In addition to this, the governments of nations are also actively taking part in forming international organizations, groups in order to facilitate trade between nations. However, we all know how fragile the relations between nations actually tend to be because one violation of any of the terms by any single nation can result in breaking up of whole agreement and then sanctions are evident. By start of year 2020, many countries were already taking a hit on their economy such as India, Malaysia and several other countries and it was becoming tougher day by day to find a satisfactory solution to this problem. It is quite evident why different Nations enter into trade with other countries and that is because there occurs the exchange of resources which are available with the other country or they produce it in abundance. However, one problem that most of us hadn't predicted of late was the world getting to deal with a Global Pandemic termed as COVID-19 or in other terms Corona Virus. It actually emerged from a Province in China and by the time one could figure out its radius and its spread, it had crossed borders and with high rate of getting transferred to other people, this highly contagious virus has crossed more than a Million cases worldwide in less than 4 months and has taken thousands of lives.

It has once again tested the relations between nations and one must be happy to see nations helping out each other in times of these testing periods but what lies underneath is more worrying when we see that trade bans are not lifted, some nations threatening other nations for not providing them with their required resources and third world countries claiming that they are being considered for testing undeveloped anti-viral drugs and already being more vulnerable to the virus. On one hand, it looks that Humanity still exists and nations are helping each other but on the other hand, it exposes the selfishness on part of several countries even in these testing times. International Trade Law is undoubtedly a vast discipline and encompasses every kind of Trade Relation between the nations and it has a very well codified national as well as International legal system

which ought to address any kind of trade related conflicts or breach/mistrust of agreements, should there arise any. This paper tries to comprehend how International Trade relations are being strained and the trust in trade being shattered during this global pandemic.

COVID-19 or Corona Virus Diseases

Coronaviruses are considered very common and they have decades of history. They were identified in late 1960's and are mostly characterized by Respiratory tract infections in Human Beings. They are generally considered responsible for triggering asthma in adults as well as children along with several respiratory disease. They are also responsible for causing pneumonia and bronchiolitis infections. [1] There are a few scenarios which may help in determining how actually this COVID-19 evolved. One theory is that, the virus in its current pathogenic state evolved by way of natural selection firstly in an animal/non-human host and then jumped on to the humans. This was how previous Coronaviruses had emerged when people had direct contact and exposure with civets that caused SARS and Camels that caused MERS. The people researching on it have proposed that it is the bats who are most likely to be the reservoirs for SARS-Cov-2 because it is very similar to the coronavirus that bats possess.

The other scenario suggests that it was actually a non-pathogenic kind of virus which hopped on from an animal (host) and then went into humans and gradually evolved to its current form of a pathogen within the people all over the world. [2]

Impact of COVID-19

The United Nations has already predicted that there would be a minimum loss of around 195 Million jobs worldwide and it is more threatening because there are already 190 million people suffering from unemployment. [3] The impact of COVID-19 is supposed to be very much dreadful and drastic since the world still awaits its Anti-Virus. There has been a worldwide lockdown when this virus started spreading at alarming rates. A lot of Governments have initiated Nation-wide lockdowns in order to prevent its spread however, until now it is still spreading at a faster pace in spite of the fact that China, where from this actually originated has actually been far more successful in preventing its further spread and has contained it very well.

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However, it is the European Countries, and other western countries such as US, UK etc. that have been hit worse. Much amount of the current cases worldwide is from these countries and despite the fact they have best healthcare systems, they have been hit worst and there have been thousands of deaths so far and it continues to rise everyday as of now. The actions of governments to lockdown the nation was found necessary because of the fact that the Corona virus has a distinctive epidemiological characteristic. At first, it replicates in a very huge quantity at its development level and then this virus spreads silently and is carried unconsciously by its carriers who do not show any symptoms whilst having been infected with this virus. [4] Secondly, the virus also an efficient capacity⁷ in terms of human transmission and a longer asymptomatic incubation time which is 1 to 14 days. It makes this virus difficult to be detected in order to lock down the infected areas all at once. Lastly, the most worrying problem that occurs is that the patients of COVID-19 require immediate access to Intensive Care Units and medications which are not available with majority of the nations. This eventually takes a big hit on the world health systems which are mostly ill-equipped due to sudden surge. [5]

Impact on International Trade

Now that more than 100 countries have closed their borders the world economy has surely taken a big hit and some of the most affected sectors in the world have been Service Sector, Food and Hospitality Sectors, Import and Export, Aviation Industry etc. United Nations went on to warn that as a result of this COVID-19, the global economy will be possibly shrunk by around 1% which had shrunk by 1.7% during the economic recession of 2009. This warning came when the world is still in the midst of this pandemic and it may increase with time and if the pandemic is not contained in a formidable time. This pandemic has disrupted the World supply chains and has brought halt to the international trade as well. Since the borders have been closed and the countries are not able to lift the lockdowns, the movement of people and also the tourism has come to screeching and an abrupt halt. Before this pandemic outbreak, it was expected that Global economy would expand by about 2.5% in this year (2020). [6]

The United Nations has revealed that the severity of impact on the global economy will mainly depend on two factors which are: the duration of movement restrictions, economic activities in major economies and the proper size of financial response to the current health (COVID-19) crisis. In addition to this, a sharp decline in the spending due to consumption in Europe as well as United States will also lead to the reduction in Imports of goods from the developing economies. Developing countries, particularly those countries which are dependent on tourism and exports will be at much greater risk of having their economy crushed during this pandemic. Also, due to the reverse flow of the capital and reduction in the revenues related to commodity purchases, the debt distress of many countries will increase on a higher note too. [7]

Thus, it has become quite evident that the impact on International Trade due to this pandemic is going to be huge and it will largely affect the International Contracts on a

very large scale as well. As we are still in the midst of this outbreak, we can still identify a few impediments which will arise in International Contracts as a result of non-Performance of the contractual obligations caused due to the COVID-19. In many cases, the pandemic is supposed to affect directly the performance of contract, where the Contractor or their agents get infected with COVID-19, the material is not being provided fully as a result of the area where from that is going to come has been affected severely, the conveyance not being initiated due to travel restrictions or due to the fact that customers are no longer available. [8]

An aspect whereby Non-Performance of International Contracts can be relaxed is the clause of “Force majeure” meaning “Act of God”, if put up in the Contract agreement. This clause helps in observing and recognizing the circumstances which are exceptional in nature for which the person, who is under obligation to fulfill the terms of contract, is exempted from taking up liability in the event of not being able to perform the contractual obligations. However, to exclusively specify whether any such event constitutes an “Act of God”, one has to be highly specific about the facts and the circumstances under which an act can be classified as a “Force Majeure”. Mostly, an act of God or Force Majeure is considered to be an event which is less predicted and is not reasonably under the control of the intended performer of the contract and the intended performer must also not be able to avoid or overcome from such an act or event. In certain agreements and contracts, this clause does actually contain epidemic, pandemics which will ultimately cover COVID-19 as well but when the clause does not specify any such event, then the aggrieved party is wholly deprived of any remedy. [9]

Now, even if this pandemic of COVID-19 does fall under the contract clause of Force Majeure, the other requirements must be met as well which is that the inability to perform the contract is directly linked/related to the pandemic which means the reason of non-performance must be because of the COVID-19. [10]

It must be noted that, mostly courts have been very much reluctant to give remedy in prior cases related to epidemics too. [11] Thus it can be seen that this pandemic has already started to crawl into the International trade and this now leaves many questions unanswered and many conflicts unresolved until there is a cure, found for both the pandemic and the trade related issues arising out of this pandemic. It has surely caught the International trade as well as the Global Economy off-guard.

Impact on International Trade Relations

Keeping all matters related to International Trade and Business on one side, this pandemic has revealed how fragile the relations between the nations are. Of course, several countries have come forward to help severely affected nations such as Italy, Spain and other developing countries as well, there have been several instances whereby countries have started to strain the relations to other countries. In the midst of this Pandemic, the last few days have shown how the relations between the nations could diminish to lower levels.

Firstly, United States President asked India to lift ban on a drug that US is using on its patients to cure COVID-19 namely “hydroxychloroquine”. President Trump went on to say that if India didn’t supply them with this drug, then India might have to face retaliation from US. This threat eventually made the Government of India to partially lift the band on the above-mentioned drug citing humanitarian grounds. This has garnered huge criticism from the opposition and Pharma units all over India. They have termed it as succumbing to the US which is dictating terms to other countries even in the times of the global crisis. The Pharmaceutical units in India have also raised the concern that before exporting this Anti-Malarial drug to other countries, we need to make sure that we have enough quantities for our own population. There is no doubt in the fact that US is the worst hit country as of now with nearly half a million cases as on 10 April, 2020 but they aren’t coming easy for their allies as of now. [12] Another instance is from Canada whereby US, again coming into the picture, decided not to provide N-95 Masks to Canada. Although the Canadian Prime Minister asserted that, there won’t be any retaliation but this act of US might not be forgotten considering future trade agreements between the two nations. [13]

Likewise, a few French doctors sparked an unnecessary criticism by saying that anti-COVID-19 vaccines be tried on people living in Africa. To this a serious backlash came from all over the world citing that Africa was not a testing lab for Europeans and African People were not rodents to be tested in Labs. [14]

2. The Way Ahead

One thing has become clear, as of now, we are in this together. It is not by isolating one country in the pretext that if one country is cured of it, they won't look beyond. This pandemic will keep spreading until it is completely eradicated from whole of the world. It is senseless to even think of not helping other countries out whilst dealing with this pandemic as it will not be over unless all the world nations come together and work towards a vaccine or other possibilities to control this disease. One must keep in mind that, at the other end of this pandemic, we will be dealing with a badly hit economy, worst hit healthcare systems, millions of infected and a lot of dead people and a new future, thus it becomes important for us to keep up our relations intact with everyone else. No doubt, saving your own country is a priority but if it comes at the cost of another one, I believe, it is pointless and it only delays, what could turn out to be a series of unfortunate tragedies once it hits back.

Right now, we must keep in mind that this pandemic does not differentiate between the sexes, nationalities, ethnicities or races. It travels, it spreads and it is deadly. The only way it can be contained and eradicated is by collective efforts and continuous co-operation among countries. Instead of threatening countries of retaliation, sanctions, banning the essential medical equipment's, we need to step up and release these barriers for once and work together towards this pandemic's anti-virus. International trade has already taken a hit because of this outbreak and if we keep

threatening, banning and sanctioning other nations, we will ultimately and unfortunately be unable to contain this virus and that won't go well with the world. This conscious mistake will be costlier than the unconscious spread of COVID-19. Let's prevent this outbreak from spreading only because we are unwilling to work together, before we find a cure. Let's co-operate.

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