



Recently, WTO assessing the impact of covid 19 on world trade it held that, besides its worrying effects on human life, Covid-19 has the potential to significantly affect global trade and bring slowdown to the global economy.

The International Monetary Fund observed that the global economy is set to contract sharply in 2020 due to the lockdown, needed to fight the pandemic affecting billions of people 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.

#### **WTO Observations Regarding Global Trade and Economic Crisis:**

- World merchandise trade is set to plummet by between 13% and 32% in 2020 due to the Covid-19 pandemic.
- Though recovery in global trade is expected in 2021, it depends on the duration of the outbreak and the effectiveness of the policy responses.
- Nearly all regions will suffer double-digit declines in trade volumes in 2020, with exports from North America and Asia hit hardest.
- Trade will likely fall steeper in sectors with complex value chains, particularly electronics and automotive products.
- Services trade may also be affected by Covid-19 through transport and travel restrictions.

#### **Similarity between Great Depression and Current Global Trade Disruption:**

- **Domino Effect:** The spill over effects of the Great Depression led to default of many Global Systemic Important Banks" (G-SIB). This default got turned into the Sovereign debt crisis of many European economies. For example, PIGS countries (Portugal, Ireland, Greece and Spain).
- Similarly, the economic crisis emanating from the Covid-19 pandemic, has caused severe demand and supply side shock in the global trade scenario.
- **Stock Market Crash:** The initial drops in the stock exchanges of major countries (up to one-fourth of their valuation) are hitherto analogous between both crises.
- **Uncertainty:** Both crises share a non-quantifiable risk as a key factor in their emergence and spread.

#### **Way Forward:**

- **Invest in sustainable infrastructure**
- Infrastructure investments are an effective way to boost economic activity and create jobs. In United States' 2009 Great Recession recovery package, investments in clean energy and public transport created more jobs than traditional investments.
- India too should take this opportunity to increase support for renewable energy, particularly rooftop solar, through appropriate policies and business models.