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LEX BONA FIDE - LAW JOURNAL is an open access, peer- reviewed and refereed journal provide dedicated to express views on topical legal issues, thereby generating a cross current of ideas on emerging matters. This platform shall also ignite the initiative and desire of young law students to contribute in the field of law. The erudite response of legal luminaries shall be solicited to enable readers to explore challenges that lie before law makers, lawyers and the society at large, in the event of the ever changing social, economic and technological scenario.

With this thought, we hereby present to you

LEX BONA FIDE: LAW JOURNAL

COVID-19 IMPACT ON INTERNATIONAL TRADE AND LEGAL REMEDIES THAT CAN BE ADOPTED TO MITIGATE ITS IMPACT.

*SUMEDHA SAINATH

(Christ Deemed to be University)

INTRODUCTION:

The recent viral pandemic originating from Wuhan, China, also known as the COVID-19, has had a major impact on the global economy in multitudinous ways. The origin of this disease lies in a virus, of the Coronavirus family, called SARS-CoV-2. While the direct effects of the virus on the human body have been determined to a large extent by professionals like epidemiologists and virologists, among other contributors, there is a large portion of the effects of convalescence and chronic effects yet to be charted. They have undertaken substantial efforts to identify the characteristics of this organism, it's the rate of reproduction which is also known as the R-0, incubation period and genomic sequence. However, the virus has become infamous, in a manner of speaking, with regards to its impact on the economy, the extent of which largely depends upon the reaction of the public, government, and steps taken by the state accordingly to prevent and control the spread. Enhanced sensitivity of the people, consumers and providers alike, toward the situation and counter activity to preserve status quo results in the creation of unnecessary increase in costs thereby giving rise to an economic impact.

GLOBAL ECONOMY:

There are millions of positive Coronavirus cases(COVID-19) throughout the world. The business concerns of many countries are undergoing loss of revenue due to the closure of factories, industries, production units, further resulting in the crash of the supply chains, as a cautionary quarantine measure across the globe. The governments have imposed policies and guidelines restricting trade and commerce for specified periods which has caused the unemployment numbers to rise exponentially.

On the 9th of April 2020, the International Monetary Fund stated that the COVID-19 pandemic has incited the crash of the global economy. This economic slump of markets is one that has never been experienced before. It is said to have surpassed even The Great Depression of 2008.^[1] Policymakers all over the world are working tirelessly, trying to formulate and

implement monetary and fiscal policies and measures, to reduce the financial burden and impact on the people and the markets. They are striving to mitigate the strain of the economies due to the outbreak.

MARKET AND SUPPLY CHAIN DISRUPTION:

For industries and many manufacturing concerns to sustain themselves, they heavily rely on the supply chain or intermediaries and transport lines. They require imports of certain raw materials for the production of those materials are not available locally. Many of the manufacturing units depend on imports from China as these industries have also been affected.

One of the primary sources of revenue, for the survival of an industry or a firm, is profits and sales to achieve the financial goals and objectives. The restrictions that have been imposed on transportation by the authorities has led to an economic decline which has further had an indirect impact on the production of other industries in different nations leading to a significant drop in the profitability of the global business concerns.^[2] Having to source materials to meet the demand of the product poses as an uphill task. It is not advisable to switch the sourcing from other regions either due to a lack of monetary support and existing legalities that bind them to the initial seller. The extent of the impact of the epidemic depends on the nature and size of the firm, as well as the time the outbreak takes to subside.

The Tourism and Travel industry will face massive losses which may not be redeemable.^[3] Along with the medium and small size firms who may suffer a great deal of damage, loss, and potential bankruptcy due to this disruption.^[4]

DIRECT IMPACT ON PRODUCTION:

In the past, it has been observed that when there is an outbreak of disease/epidemic or a global pandemic, there is a significant impact on the production of goods and the industrial sector. Governments implement policies and guidelines that are mandatory to be followed like that of quarantine measures, social distancing, countrywide lockdown, shut down of transport lines, etc. When such measures are undertaken, the manufacturing and production sectors come to a halt, except for the pharmaceutical and medical industries.

In China, when the initial lockdown measures were implemented to contain the spread of the virus, Chinese production was significantly affected by the closure of industries and transport lines. Starting from the Hubei province, which later spread to industries and factories of other provinces. Once this epidemic gradually evolved into a global pandemic, some other countries also observed a direct impact on their production, as authorities of their respective nations implemented similar measures.

FINANCIAL IMPACT ON FIRMS AND FINANCIAL MARKETS:

The discontinuity of production processes, the flow of input and outputs imposes an incredible amount of stress on the firms and companies especially those with relatively lower liquidity or depleted liquidity level. The traders in the market may not be able to anticipate the vulnerable areas and the extent of vulnerability. This would, in the long run, increase risk and weaken the position of the party in the financial market, leaving them unprofitable. Another possibility is the considerable decline in the equity markets and investors would rather hold on to government securities or purchase government securities and treasuries due to the uncertainty of the position of the firm caused by the epidemic.^[5] There is a chance that these events also increase the feeling of insecurity and anxiety in the market participants and companies concerning counterparty risk. This brings forth other legal issues for the company or firm that the company may not be well equipped to handle, alongside the pandemic's impact.

A Global pandemic :

various economic market centres and zones are subject to the complete lockdown as a measure to mitigate and protect the people and panic. Global rates of production have dropped drastically resulting in the slump of international supply and profitability, costing the economy on a large scale. The international trade contracts and intentions will fall along with a standstill in global GDP, thereby possibly causing a widespread global recession.^[6]

Financial crisis:

On the other hand, large scale financial issues may arise due to delay in production and shipments, restricted transport, resulting in heavy debts. The possibility of default on the part of investors, slump in the equity markets, other shareholders and investors selling shares and bonds exposing others making the company vulnerable. Then the factor of counterparty risk, non-performance of the contractual obligations, which is accelerating the downfall financially, or inadequate liquidity for survival. Financial institutions will be in trouble and may not be well equipped to handle such a case. A full-fledged recession takes place, rise in unemployment, etc, and the economy would only start to pull itself back in time and recover after the peak of the recession.

PRECAUTIONARY LEGAL MEASURES, REMEDIES, MEASURES TO REDUCE IMPACT:

SAFE AND ALTERNATIVE PORTS: For the supply of essential commodities from other nations like food, medicines, health care products, etc. in case they are being transported via ship, we could ensure safe ports or alternative ports for the safety of all people. COVID-19 could potentially be a threat to the crew and captain, rendering people unsafe. Take measures to protect the vessel and its people from exposure to the virus. The costs

of such safety and measures or alternative ports, the burden can be expressly mentioned in the sale contracts, if not then the government which requested such supply could bear the cost.

AID TO SMALL AND MEDIUM BUSINESSES: This outbreak has caused a large scale emergency. This economic downfall in trade, growth, investment and employment has affected the lives of many and the sustainable development objectives that were set for the nations. The most negatively affected sector is that of the small and medium-sized business and industries. There are international organizations that have dedicated themselves to aid the medium and small industries.^[7] The International Trade Centre is keeping a close eye on the ongoing economic effects and the impact of the outbreak. Some measure can be undertaken to protect, give guidance to these industries on how to go about and secure themselves, try and cope with the stress of such a pandemic.

EMPLOYMENT: Measures are to be taken by the government to ensure that the people who are unable to work during the lockdown, due to losses incurred by the companies, are not to be relieved from their jobs. Prevent mass lay-offs, it is observed in the past that during times of economic duress, invariably one of the results are an exponential rise in the unemployment rates. These are the times where individuals are not financially well equipped. Protecting its citizens, its people is one of the basic duties of the government.^[8]

CONTRACTS: The force majeure clauses may be activated, as in the act of an uncontrollable external factor causing the non-performance of contracts. The doctrine of frustration is another aspect of COVID-19, especially when there is no force majeure clause.^[9] That parties are discharged of their legal liabilities and obligations once the contract is frustrated. However, it is essential that the cause has to be unexpected and beyond the control of the parties.

LEGAL CONSIDERATIONS^[10]: The government can try and protect companies temporarily from the application of legal provisions of insolvency and bankruptcy, which are detrimental to the survival of the companies.

COORDINATED RESPONSE TO CRISIS: Businesses, industries, companies may come to feel the necessity to collaborate and work with each other irrespective of government mandates. Coming together to develop an appropriate course of action to the COVID-19 scenario. Concerning the following aspects:-

1) **Insurance companies:** They could come up with different policies for health care, life, good damage, etc. The policies that are more considerate of the situation and help the people, and with reduced premium rates.

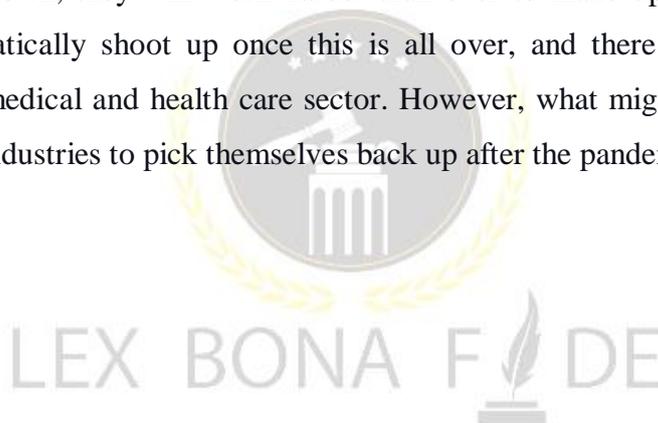
2) **Medicine and Food supplies:** Companies in the food and medicine industry could consider joining their stock and distribution for mutual benefit, or a collaboration with a supply chain industry to help make essential products available to all, and ensure safety and security to the people.

3) Competitive companies can collaborate, in the field of manufacturing essential medical equipment, to sustain themselves and efficiently maximize the supplies.

CONCLUSION:

The Coronavirus epidemic has disturbed the world massively and in speed, unlike that, we have seen before. This situation has mentally traumatised many on a global scale, especially the businessmen and working class. The costs incurred by every individual is immense, the future costs and impact of COVID-19 will also certainly prove to be high. The impact of such an outbreak is certainly going to leave a long-lasting effect, even after a potential cure/vaccine is discovered. The global economic cost of shutting down due to quarantine and safety measures is humongous. The world is already on its way to one of the biggest recessions ever seen by humankind.

To pull ourselves back together after such an incident is an incredibly herculean task but I am sure we will do it eventually. Once the world comes back to work, industries and companies re-open after the lockdown, they will work harder than ever to make up for all the losses. The markets will automatically shoot up once this is all over, and there will be an increase in investments in the medical and health care sector. However, what might be an issue is for the small and medium industries to pick themselves back up after the pandemic hit.



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