



Trade Hot Topics

Implications of a Slowdown in the Indian Economy for Commonwealth Countries: The Turning Point

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1. Introduction

India is one of the largest Commonwealth countries, accounting for around 55 per cent of the Commonwealth population, 20 per cent of gross domestic product (GDP) and 8.7 per cent of Commonwealth countries' global exports. An average GDP growth rate of 7 per cent over the past three decades has helped lift millions out of poverty in India as well as in other countries through strong trade and investment linkages. The share of India in intra-Commonwealth trade grew from less than 4 per cent in 2000 to 26 per cent in 2019. Most Commonwealth countries, both developed and developing – especially least developed countries (LDCs) and those in sub-Saharan Africa (SSA) – have relatively robust trade and investment connections with the Indian economy.

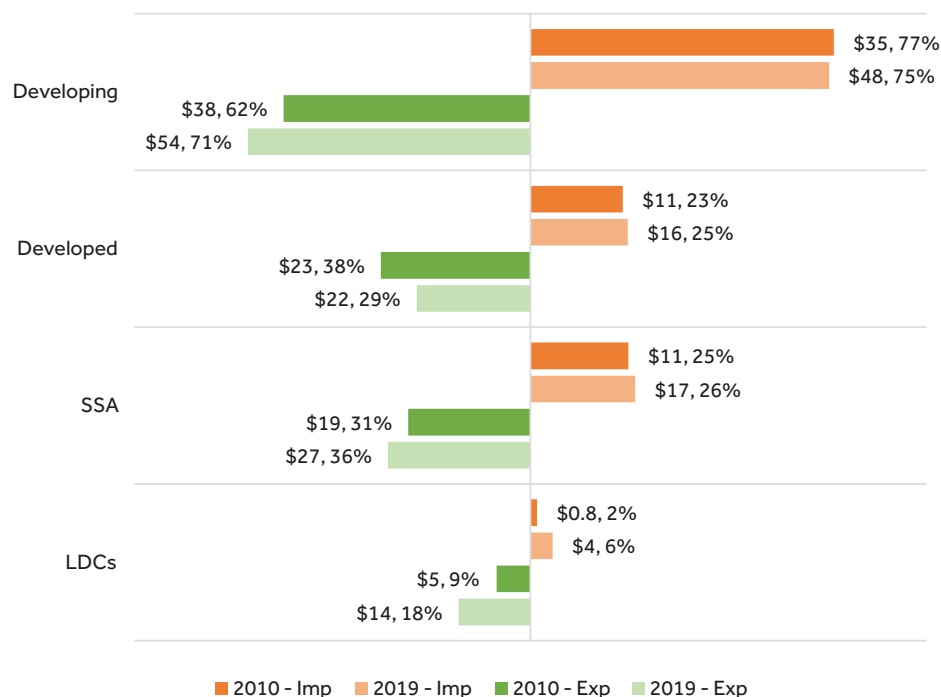
As a result of ongoing structural challenges in the economy, combined with the adverse impacts of the COVID-19 pandemic, India is expected to experience a steep recession in 2020. The

lockdowns imposed to control the spread of the coronavirus have decimated consumer spending and investment sentiments. The economy shrank by 23.9 per cent between April and June (Kaul, 2020), and investment collapsed by 47 per cent compared with the previous year; household consumption contracted by nearly 27 per cent. Government consumption increased by 16 per cent but this was not enough to offset the sharp decline in other sectors (Riley, 2020). The International Monetary Fund October 2020 forecast suggests a contraction in GDP growth by about 10.3 per cent. Growth projections by other institutions, such as the Reserve Bank of India (The Economic Times, 2020) and the Asian Development Bank (ADB, 2020), indicate a similar drop.

This issue of *Trade Hot Topics* assesses the trade and investment implications of the slowdown of the Indian economy for Commonwealth countries, with a particular focus on developing countries that are most adversely affected by the downturn.

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Figure 1. State of the Commonwealth's merchandise trade with India, 2010 vs 2019 (US\$ billion)



Note: The figure compares Commonwealth countries' merchandise exports and imports with India in 2010 and 2019.
Source: Authors' calculations using data from UNCTADstat.

2. Commonwealth countries' pre-COVID-19 trade and investment linkages with India

India is one of the largest export markets as well as a source of imports for several Commonwealth countries. For many member countries, both exports to and imports from India are on a rising trajectory, indicating a strengthening of the trade relationship. This increase in trade and investment flows with India has been observed, by and large, for all Commonwealth regions (Figure 1). Over time, however, the exports of Commonwealth developing countries to India have risen while those of developed countries have contracted.

2.1 Merchandise trade

In 2019, exports from all Commonwealth countries to India were worth US\$75 billion, up from \$61 billion in 2010 (or 23 per cent); India accounted for \$64 billion worth of imports by Commonwealth countries, up from \$45 billion in 2010 (or 41 per cent). India's trade linkages with developing countries are particularly strong. These economies account for around three-quarters of the Commonwealth's total trade (exports and imports) with India.

These statistics suggest that the Commonwealth as a whole, and almost all regional country groups, is a very important market for India, accounting for 20 per cent of its total value of exports and 15 per cent of its global imports. Within this heterogeneous group, the share of SSA is the highest, at 5.2 per cent. Nigeria, Malaysia, Australia, Singapore and the UK are among the top exporters to India, while the UK, Singapore, Bangladesh, Malaysia and Singapore are India's top five export destinations within the Commonwealth (Chowdhury, 2020).

Developing Commonwealth economies account for around 70 per cent of the Commonwealth's total exports to India and three-quarters of its imports (Table A1). The shares of SSA members in exports to and imports from India in Commonwealth countries' total trade are around 30 per cent and 26 per cent, respectively. Commonwealth LDCs source around 13 per cent of their imports from India, while 2 per cent of their exports are destined for India.²

These trade linkages are particularly strong in some sectors. For instance, in five of the seven Global Trade Analysis Program (GTAP) sectors,³ India accounts for 15 per cent or more of SSA

2 As a share of world trade, around 5 per cent of exports from Commonwealth LDCs and around 11 per cent of those from Commonwealth SSA members are absorbed in India. The corresponding figures for Commonwealth trade are 32 per cent for African members and 20 per cent for the LDCs.

3 These sectors are chemicals and pharmaceuticals, transport and motor vehicles, petroleum and petroleum products, textiles, garments and leather products, and minerals and metals.

members' imports. Similarly, Commonwealth LDCs rely significantly on India for trade in four (transport and motor vehicles; textiles, garments and leather products; chemicals and pharmaceuticals; and other manufacturing) of the seven GTAP sectors.

India predominantly exports labour-intensive goods to developed Commonwealth countries and capital- and skill-intensive products to SSA members and LDCs (Figure A1). Minerals and metals are India's most important category of imports from all countries. A detailed sectoral breakdown indicates that developed Commonwealth countries largely import chemicals, textiles and machinery from India while they export fuels and stone and glass items (Table 1). Fuel is the largest exported product from developing countries including the SSA members; it constitutes around two-thirds of SSA members' total exports to India. Textiles and clothing are the most widely exported and imported products by Commonwealth LDCs.

2.2 Trade in services

Services are an important component of India's economy, accounting for 50 per cent of the country's GDP and about 40 per cent of its exports.⁴ India is a large exporter of financial, insurance and business services (Table 2). Other important categories of services exports from India are transport and information and communications. Unlike goods trade, Commonwealth countries' imports of services from India are far larger in value than their exports. During the past five years, imports of business services from India have been rising, reflecting India's outward investment in the financial sectors of several Commonwealth countries.

Of India's US\$220 billion in services exports globally in 2019, Commonwealth countries accounted for a little over 9 per cent. However, the share rises to around 13 per cent if exports under mode 3 are also included. India's imports of services from the Commonwealth account for around 7 per cent of its global services imports (\$8.2 billion out of \$140 billion). Developed countries constitute India's most significant trading partners with regard to services, accounting for nearly 70 per cent of its total services exports and 60 per cent of imports.

Financial services are the largest traded category, accounting for almost 60 per cent of India's import of services from Commonwealth countries. This

is followed by information and communication services, which account for around 10-20 per cent of all services exports to India by Commonwealth countries. Accommodation and air transport services constitute the third most important category of services. In construction services, India's exports are far in excess of imports, showing that India is competitive in these services. The shares of LDCs (1 per cent) and SSA members in services imports from India are relatively small (7 per cent). Financial, insurance and transports services are India's largest traded sectors with SSA members. This may owe to banking and insurance linkages with India facilitated by the country's large diaspora.

2.3 Foreign direct investment

India is a large investor as well as a recipient of FDI from Commonwealth countries. During 2015-2019, India accounted for about 40 per cent of all global greenfield FDI announcements into the Commonwealth, while the share of the Commonwealth in India's FDI announcements was around 20 per cent. Nearly a third of all FDI in India's financial services, real estate, coal and gas, and minerals sectors originates from Commonwealth countries. About 77 per cent of total investment in India's leisure and entertainment sector and about 45 per cent in the minerals sector comes from the Commonwealth.

The shares of developed and developing countries in India's greenfield FDI out-stock are almost similar, at 20 per cent and 18 per cent, respectively (Table 3). India's outward investment in developed Commonwealth countries is oriented mainly towards services, including hotels and tourism, business services, software and information technology, and financial services. Among manufacturing-related services, India's investments are concentrated in automobiles, chemicals, pharmaceuticals and electronic components. Commonwealth developed countries' investment in India is concentrated for the most part in the automobile sector, followed by services such as financial services, communications, transportation and warehousing, real estate, business and software development. The UK and Australia are also large recipients of greenfield FDI from India (Figure 2). For these countries, services dominate investment into India; however, these countries also invest in real estate and consumer goods in India.

4 During 2019-2020, India exported US\$220 billion worth of services and imported around \$140 billion worth (Business Standard, 2020).

Table 1. Sectoral distribution of Commonwealth merchandise trade with India, 2019 (US\$ million)

Sector	All Commonwealth (US\$ M)		Developed (%)		Developing (%)		SSA (%)		LDC (%)	
	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports
Animal and animal products	0.85	0.05	0.38	0.02	0.95	0.04	0.08	0.00	0.10	0.04
Fruits and vegetables	2.34	4.33	1.34	0.86	2.32	4.95	0.48	0.98	0.53	0.13
Food products	1.53	0.71	0.61	0.31	1.78	0.65	0.45	0.13	0.59	0.08
Minerals	0.71	1.15	0.31	0.57	0.80	0.97	0.06	0.70	0.32	0.02
Fuels	12.50	29.13	0.87	13.47	18.66	25.64	6.54	19.53	1.42	0.00
Chemicals	9.05	4.71	3.48	2.13	10.68	4.19	5.11	0.27	1.42	0.05
Plastic and rubber	2.16	2.22	0.92	0.36	2.46	2.62	1.25	0.04	0.54	0.05
Hides and skins	0.44	0.11	0.57	0.04	0.13	0.11	0.04	0.03	0.02	0.05
Wood	0.83	2.15	0.33	1.46	0.97	1.42	0.50	0.39	0.12	0.07
Textiles and clothing	7.91	1.42	4.93	0.35	7.45	1.55	2.24	0.13	3.22	0.96
Footwear	0.62	0.03	0.69	0.01	0.28	0.04	0.21	0.00	0.02	0.02
Stone and glass items	2.47	9.09	1.82	3.90	2.04	8.30	0.64	7.44	0.05	0.00
Metals	5.20	5.50	2.16	2.23	5.98	5.15	1.35	1.65	1.10	0.08
Machinery and electronics	7.79	9.44	3.25	2.55	8.93	10.13	3.84	0.24	1.78	0.02
Transport	8.22	2.57	2.09	1.01	10.76	2.45	3.29	0.26	1.50	0.11
Miscellaneous	1.33	1.88	0.88	0.73	1.20	1.79	0.39	0.05	0.16	0.01
	63.96	74.48	24.60	30.00	75.40	70.00	26.47	31.83	12.90	1.69

Note: The table contains trade flow information for all Commonwealth countries in value terms and the share of various sectors in the exports and imports of selected regional and economic groups of Commonwealth countries. Source: Authors' calculations using data from WITS.

Table 2. Commonwealth countries' services trade with India, 2019 (US\$ million)

Sector	All Commonwealth		Developed		Developing		LDCs		SSA	
	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports
Total trade	20,501	8,197	13,307	4,795	7,194	3,403	223.2	35.3	1,305.7	223.7
Financial and insurance services	12,905	4,352	8,232	2,476	4,673	1,876	146.1	5.4	838.5	45.1
Information and communication	3,394	883	2,547	653	847	230	20.6	3.7	122.0	27.7
Transport (incl. pipeline)	1,721	251	1,107	121	614	131	26.6	6.3	151.6	27.6
Trade and warehousing services	938	309	462	194	476	115	8.5	4.1	82.5	15.8
Accommodation and air transport	436	787	337	529	100	258	8.4	3.2	46.1	40.5
Water related services	337	531	99	155	238	375	1.1	3.1	8.6	19.4
Health, education and social security	308	267	204	206	104	61	4.8	3.2	29.4	20.0
Recreation services	278	255	183	165	95	90	2.4	2.5	12.9	17.3
Real estate	133	466	109	283	24	183	1.3	0.7	8.6	6.9
Construction	52	92	28	12	24	80	3.4	0.7	5.5	1.0

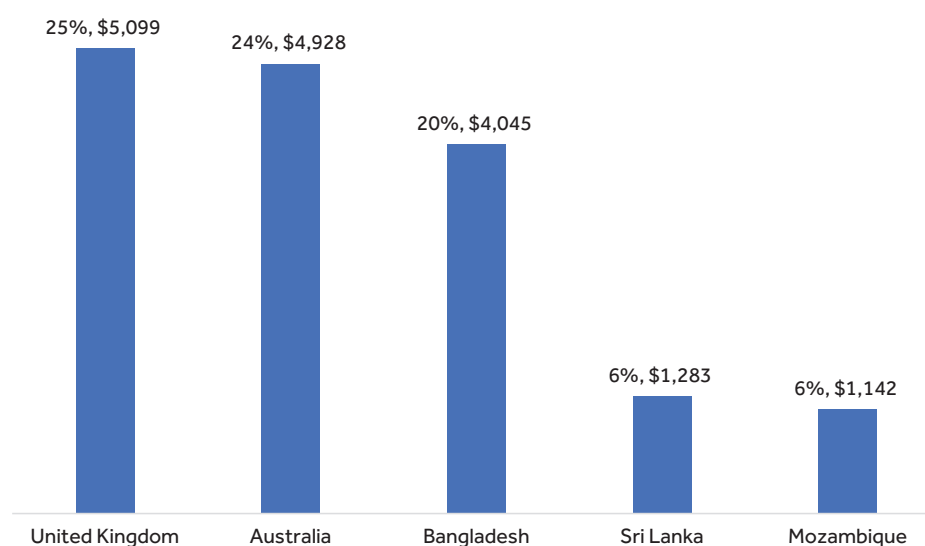
Note: The GTAP data cover India's trade with 33 Commonwealth countries that account for 80 per cent of India's total services exports to the Commonwealth (see Shingal, 2020).
Source: Authors' construction using GTAP dataset.

Table 3. India's greenfield FDI project announcements in Commonwealth countries, 2015–2019 (US\$ million)

Groups	2015	2016	2017	2018	2019	Total	Share (%)	Growth rate (%)
All Commonwealth	5,856	8,404	2,645	2,579	1,117	20,662	37	–16
<i>Of which</i>								
Developed	3,028	4,228	1,966	835	780	10,837	20	–6.5
Developing	2,828	4,177	679	1,744	397	9,825	18	–13.5
LDCs	1,590	3,216	57	515	13	5,391	10	–30
SSA	394	1,182	359	756	216	2,906	5	–9
Global	12946	15830	9070	10236	7073	55155		–11.5

Source: Authors' calculations using fDi market dataset (fDiMarkets.com).

Figure 2. Largest recipients of India's greenfield FDI, 2015–2019 (US\$ million)



Note: The figure contains the value and the share of announced capital investments in the selected Commonwealth countries during 2015–2019.

Source: Authors' calculations using fDi market dataset (fDiMarkets.com).

3. Implications of India's economic slowdown for Commonwealth trade and investment

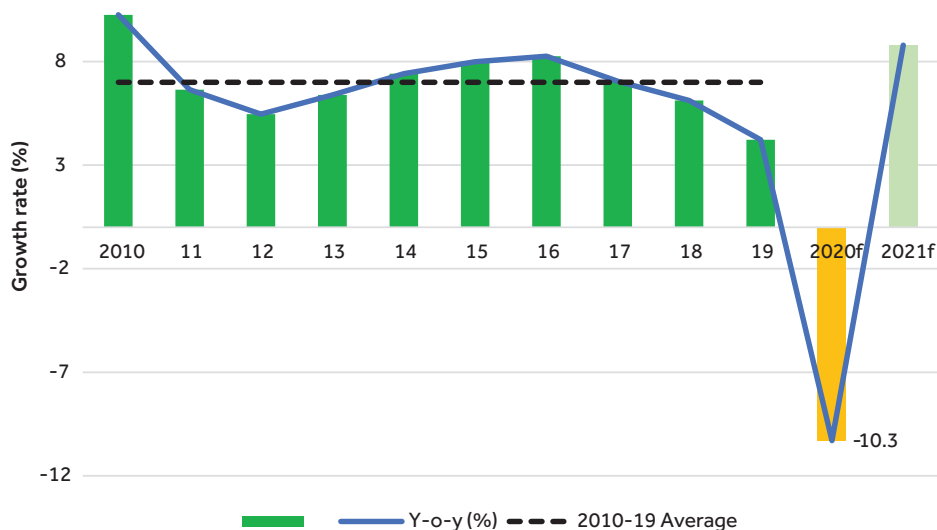
The IMF's October 2020 forecasts indicate that India's GDP growth could shrink by 10.3 per cent in 2020, 12.2 percentage points down from the earlier estimate of growth of 1.87 per cent in April 2020. There are two distinct components to India's economic slowdown. The first involves an ongoing trend triggered in 2016 (Figure 3) and associated with declining manufacturing activity, weakened investments and lower consumption demand (Beniwal et al., 2020). The second, and most important, component of India's growth slowdown is the impact of the COVID-19 pandemic, which has not only exacerbated the ongoing trend but also imposed an additional burden of mitigation

and containment measures. The sharp decrease in forecasts over six months is manifested in alternative indicators of economic activity. For instance, the purchasing managers indices (PMIs) released by IHS Markit for the manufacturing and services sectors were at 27.4 and 5.4, respectively, in April, implying extraordinary contraction.⁵ Exports contracted by 60.3 per cent in April; core sector output contracted by 38 per cent; there were no sales in the auto segment; new telecom subscribers declined 35 per cent; and railway freight movement plunged 35 per cent year on year (CRISIL, 2020).

Although the most stringent containment measures for the spread of COVID-19 have been relaxed and economic activities have partially resumed, the knock-on effects will linger for a

⁵ This compares with 51.8 per cent and 49.3 per cent, respectively, in March.

Figure 3. India's economic growth trajectory, 2010–2021 (%)



Source: Authors' calculations using data from the IMF's October 2020 forecasts.

considerable time. There is also the threat of a second wave, as evident in much of Europe. If India's trade were to fall as per the World Trade Organization's recent predictions for global trade (i.e. by 9.2 per cent in 2020), the impact will be felt by most Commonwealth countries, depending on the quantum of the drop in India's GDP growth and the nature of the partner country's economic links with India. The direct impact of the shock will transmit through a drop in merchandise and services trade flows and lower levels of FDI.

3.1 The impact on merchandise trade flows

Simulation results indicate that Commonwealth countries' exports to India could fall by over twice the decline in GDP (21 per cent and 10.3 per cent, respectively) while their imports from India could also drop by as much as 33 per cent (Table 4). The largest decline in merchandise exports is expected

from Commonwealth LDCs, followed by developed countries. The effect is relatively muted (though still significant) for developing Commonwealth member countries. In the case of the decline in goods imports from India, the most affected are the Commonwealth SSA and LDC members followed by developed countries.

The decline in Commonwealth countries' exports is a few percentage points lower than the decline in imports. The lower reduction in exports to India seems logical because, with a slowdown in domestic production in India, some of the domestic demand may be met by imports. In addition, India's income elasticity of imports has been estimated to be lower than that of exports (UNCTAD, 2013). For example, the GTAP model shows that a decline in Indian imports from commodity exporters is relatively small as India will continue to be dependent on

Table 4. Impact of India's slowdown on trade and investment flows in Commonwealth countries (US\$ million)

	Merchandise trade				Services trade				FDI from India	
	Imports from India		Exports to India		Exports to India		Imports from India			
	Value	%	Value	%	Value	%	Value	%	Value	%
All Commonwealth	-28,424	-33	-17,138	-21	-2,118	-26	-6,230	-30	16,440	0.8
<i>of which</i>										
Developed	-7,570	-24	-7,450	-26	-1,292	-27	-4,082	-31	13,184	1.0
Developing	-20,854	-38	-9,688	-19	-826	-24	-2,148	-29	3,256	0.6
LDCs	-3,688	-39	-380	-27	-8	-31	-58	-28	378	0.6
SSA	-9,544	-44	-3,196	-11	-62	-27	-338	-27	1,720	0.8

Note: The table presents implications for trade in goods, services and FDI of a contraction in GDP of the Indian economy by 10.3 per cent.
Source: Authors' simulations.

Box 1. Methodology

The work uses the most recent data on trade flows (up to August 2020) and a model from GTAP to assess the impact of India's growth slowdown on trade and investment flows of Commonwealth countries. It compares a hypothetical situation of no slowdown in India's GDP for 2019 with the most likely projected slowdown of -10.3 per cent in 2020. It examines various growth scenarios ranging from a growth rate of 2 per cent to contraction by 10.3 percent. However, as the growth forecasts are being revised downwards continuously, this work presents only the implications of the IMF's most recent forecasts – i.e. a potential contraction of the economy by -10.3 per cent in 2020 (see Singh and Jha, 2020 for the detail of other scenarios). To estimate the effects of the slowdown and the predicted fall in trade in goods and services, the study uses a GTAP model, which builds on year-on-year growth. It establishes the counterfactual vis-à-vis what could be the trade flows from a situation if there has been no slowdown. For this purpose, it uses the GDP growth projections of the IMF before and after the slowdown.

them for its food and industrial input needs. Given that India has a trade deficit with Commonwealth countries, the differential impact on exports and imports could widen this gap.

The slowdown of the Indian economy could lead to decreases of 24 per cent and 26 per cent, respectively, in the merchandise imports and exports of developed Commonwealth countries. These countries predominantly import labour-intensive goods from India, like textiles and machinery and chemicals, and mainly export fuels to India. The slump in production activities as well as the significantly lower levels of consumption and demand for fuels could have reduced trade activities in both directions.

Contrasting the overall decline with the product profile, a significant portion of trade between India and SSA covers fuel and, given the overall reduction in consumption of fuel owing to travel restrictions and continuous lockdown measures, the decline in trade is just as we would expect. We must note, however, that our results do not explicitly take into account the increase in trade costs, which may mean even greater declines. These trade costs have risen as a result of increased tariffs and export taxes in some cases and the imposition of restrictions in others.

With the large base of India's exports to developed countries and the small base to SSA, the decline of exports to the developed Commonwealth will hit the Indian economy more. Post-COVID-19 recovery will be the slowest in the case of exports to SSA and LDCs and quickest in the case of exports to developed countries. India's imports from developed Commonwealth will decrease the most and those from LDCs the least.

Monthly merchandise trade flow data released by the International Trade Centre (ITC) indicate a severe drop in India's trade (exports and imports) with the world as well as Commonwealth countries during the months of March and April 2020 (Table 5). Although exports from India have picked up moderately, the decline in India's imports from other countries continues.

3.2 Implications for services trade

Trade in services provided through modes 2, 3 and 4 could drop as a result of the slowdown of the Indian economy and COVID-19-related interruptions. Further, there has been a shift over time in delivery of these services through mode 1 – i.e. digital means. The GTAP model shows a decline in services imports from India to the tune of 30 per cent. This decline is spread evenly across all Commonwealth regions. The export of financial, insurance and business services has been hit hardest (Frayer and Pathek, 2020). Another reason for the decrease in India's services exports is the fall in tourism, as tourist travel into India declined by 65 per cent in the month of March 2020 as

Table 5. Decline in India's trade with the world and Commonwealth countries (y-o-y, % change)

Month	Global		Commonwealth	
	Exports	Imports	Exports to	Imports from
January	-2.1	-0.7	3.5	-9.9
February	3.3	3.6	8.0	4.7
March	-34.6	-23.7	-41.9	-32.9
April	-60.3	-58.6	-59.4	-61.9
May	-36.5	-51.0	-37.9	-55.8
June	-12.4	-48.1	1.5	-55.0
July	-10.1	-29.6	-12.0	-43.5
August	-12.6	-26.0	-9.7	-27.4

Note: The table compares data on India's trade flows since the onset of the pandemic with the corresponding month in the earlier year (i.e. January-August 2020 vs. January-August 2019).

Source: Authors' calculations using data from the ITC.

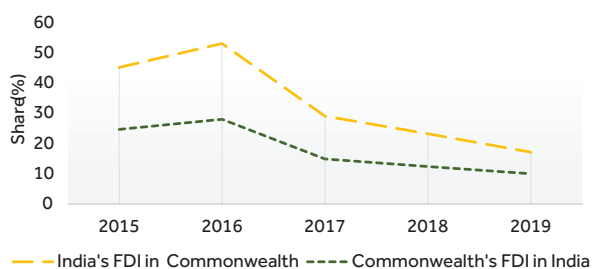
a result of the COVID-19-related closure of air transport (Kiran, 2020).

The rate of decline in services imports by Commonwealth developed countries is slightly higher than the fall to other countries, signalling the difficulties facing the call centres industry in continuing business operations in the initial phases of the lockdown (NDTV Profit, 2020; ISP Review, 2020). For LDCs and SSA, the largest decrease in services imports will be in the tourism sector. Other services, such as hospitality and entertainment, which Commonwealth countries import from India, will also have been strongly affected by COVID-19. In fact, the release of Indian films and India serials, as well as restaurant services, has been delayed or reduced because of the pandemic.

Services exports to India are likely to decline at slightly lower rates than imports. The largest decline will be for accommodation and travel services. Unfortunately, in the summer months, when outward travel from India to developed and developing countries tends to pick up, outbound flights had to be banned. Similarly, the use of foreign companies for water services and services such as education has gone down considerably. About 51 per cent of non-STEM students from India who were planning to study abroad (notably in the UK, Canada and Australia) cancelled their plans because of the COVID-19 lockdowns (Sharma, 2020).

The GTAP model shows that India's services exports to Zambia, Tanzania, Rwanda, Malawi, Uganda, Ghana, Namibia, Mauritius and other SSA countries may fall by between 29 and 37 per cent, while those to Sri Lanka, Nigeria, Kenya and Cyprus are likely to decline by 17–20 per cent. It is also evident that India's exports to other Commonwealth countries, including Botswana, South Africa, the UK, New Zealand, Australia, Jamaica, Mozambique, Canada, Malta, Cameroon, Brunei Darussalam, Ma-

Figure 4. Decline in India's greenfield FDI announcements, 2015–2019 (%)



Note: The figure indicates the share of greenfield FDI announcements, by India and Commonwealth countries, in value terms.

Source: Authors' calculations using fDi market dataset.

aysia, Singapore, Bangladesh and Pakistan, are expected to decline by between 22 and 29 per cent. When there is a slowdown of the Indian economy by 10.3 per cent, exports to several countries, including Malta, Pakistan, Rwanda, Cameroon, the UK, Jamaica and Nigeria, are forecast to experience major declines.

3.3 Implications for foreign direct investment

In line with global FDI trends, India's outward FDI has been declining over time (UNCTAD, 2020). As a result of this gradual decline, India's share in global greenfield investment announcements in Commonwealth countries has dropped sharply, from about 45 per cent in 2015 to around 15 per cent in 2019. Similarly, announcements of greenfield investment in India from Commonwealth countries has also declined, from 25 per cent in 2015 to around 10 per cent in 2019 (Figure 4). Significantly, while overall investment from the Commonwealth has declined steadily over the past five years, investment in some services sectors, such as financial services, business process services and IT services, has increased.

The slowdown of the Indian economy has affected its FDI inflows as well as outflows in a considerable way. The GTAP analysis shows a small increase in India's FDI into Commonwealth countries, reflecting a negative correlation between GDP growth and investment. This increase may indicate some capital flight from India and also reflect outward greenfield investment. Investors from India may either expect higher marginal returns in other destinations or consider them to be relatively safer destinations. However, the estimates could change somewhat if the model incorporates the global slowdown – i.e. a slowdown in all Commonwealth countries as well, which is not accounted for in this GTAP set-up. Advanced economies such as Canada, the UK and Cyprus seem to benefit most; the effect is relatively smaller for SSA and regional economies, such as Bangladesh, Pakistan and Sri Lanka.

By contrast, investment inflows into India from Commonwealth countries would be negatively affected. Singh and Jha (2020) find that a 5 per cent drop in the growth of India's GDP is associated with a fall in investment by Commonwealth countries of almost 10 per cent. This echoes reports of foreign investors withdrawing over US\$16 billion from India in the first quarter of 2020 amid the emergence of COVID-19 (Jackson et al., 2020).

4. Conclusion

The Indian economy had been on a robust and consistent economic growth path for three decades before experiencing economic stagnation in recent years, which has been further compounded by the adverse effects of COVID-19. India's real GDP growth has averaged 6.8 per cent annually since 1992 but is forecast to contract by 10.3 per cent in 2020.

All Commonwealth countries, including developed members, have strong trade and investment linkages with India. India accounts for relatively large shares of merchandise trade in Commonwealth developing countries, while for developed members the share of services in exports to and imports from India is higher. India exports labour-intensive goods to developed Commonwealth members and capital- and skill-intensive products to SSAs and LDCs. Minerals and metals are the most important imports from all Commonwealth members. Within Commonwealth developing countries, the trade dependence of the SSA members and LDCs is relatively high. SSA countries account for 30 per cent of Commonwealth total exports to India and around 25 per cent of imports. The corresponding figures for LDCs are around 20 per cent for exports and 2 per cent for imports.

Based on these varying trade profiles, the slowdown in India's economy could have differential effects on merchandise exports and imports across Commonwealth countries. In aggregate, their imports from India could drop by around three times the anticipated decline in India's GDP (i.e. by about 30 per cent), while the decline in Commonwealth countries' exports to the Indian market is expected to be twice as high (by about 20 per cent). These major impacts on trade could retard economic growth and undermine economic performance in India and other Commonwealth countries.

Unfortunately, the adverse effects of India's slowdown on Commonwealth trade and investment flows are strongest for the LDC and SSA members. To alleviate the impacts, these countries should seek support from multilateral institutions to build their productive capacity, improve their competitiveness, provide short-term liquidity, and design and implement policies for inclusive economic growth. In addition, these countries need more flexible access to export credit, and transport restrictions should be lifted, with proper precautions set in place. Policies to encourage high-value, low-volume tourism should be considered.

The pandemic has structurally altered the rules of business and these countries need support to adapt to this shifting environment.

The Government of India has implemented several fiscal and monetary initiatives to support economic activity, retain jobs and reverse the economic meltdown. However, India's direct fiscal response is relatively low, at 1.1–2.7 per cent of GDP, in comparison with an average of 7.8 per cent for advanced economies. Thus, despite these policy announcements, the lingering effects of a slowdown of GDP in 2020 may continue for several years. The economic crisis sparked by COVID-19 could spur reforms that return the Indian economy to a high growth path. McKinsey identifies three 'growth boosters' – global hubs serving India and the world, new ways of living and working, and eliminating inefficiencies in areas that underpin a competitive economy, such as power, logistics, financial and government sectors – that can collectively add US\$2.5 trillion of economic value to the economy by 2030 (Sankhe et al., 2020).

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Table A1. A snapshot of Commonwealth countries' trade with India, 2019 (US\$ million)

	Exports to			Imports from		
	World	to India	Share (%)	World	from India	Share (%)
Commonwealth	2,195,997	75,228	3.43	2,391,224	63,958	2.67
Developed						
Australia	272,580	8,985	3.3	214,274	3,229	1.5
Canada	446,562	3,604	0.8	453,157	4,113	0.9
Cyprus	3,528	18	0.5	9,220	93	1.0
Malta	4,143	24	0.6	8,211	176	2.1
New Zealand	38,183	457	1.2	42,321	519	1.2
United Kingdom	468,322	5,879	1.3	692,494	9,846	1.4
Developing						
Botswana	5,238	1,131	21.6	6,559	270	4.1
Cameroon	5,604	379	6.8	6,118	218	3.6
Swaziland	2,002	4	0.2	1,832	27	1.5
The Gambia	25	1	5.9	494	60	12.1
Ghana	16,768	2,380	14.2	10,440	582	5.6
Kenya	5,836	53	0.9	17,220	1,706	9.9
Lesotho	646	0	0.0	1,369	36	2.6
Malawi	913	15	1.6	2,941	257	8.7
Mauritius	1,874	24	1.3	5,600	776	13.9
Mozambique	4,722	804	17.0	7,639	464	6.1
Namibia	6,439	39	0.6	7,715	227	2.9
Nigeria	53,625	8,264	15.4	47,387	5,705	12.0
Rwanda	1,162	7	0.6	3,195	281	8.8
Seychelles	845	2	0.2	1,475	65	4.4
Sierra Leone	746	20	2.7	1,173	129	11.0
South Africa	90,419	4,127	4.6	88,216	4,329	4.9
Uganda	3,104	29	0.9	3,906	631	16.1
United Republic of Tanzania	4,428	837	18.9	11,421	1,642	14.4
Zambia	6,963	56	0.8	7,227	348	4.8
Bangladesh	47,201	1,212	2.6	56,904	8,272	14.5
Brunei Darussalam	7,250	602	8.3	5,102	102	2.0
Malaysia	238,161	9,066	3.8	204,988	5,863	2.9
Maldives	266	6	2.3	2,194	223	10.1

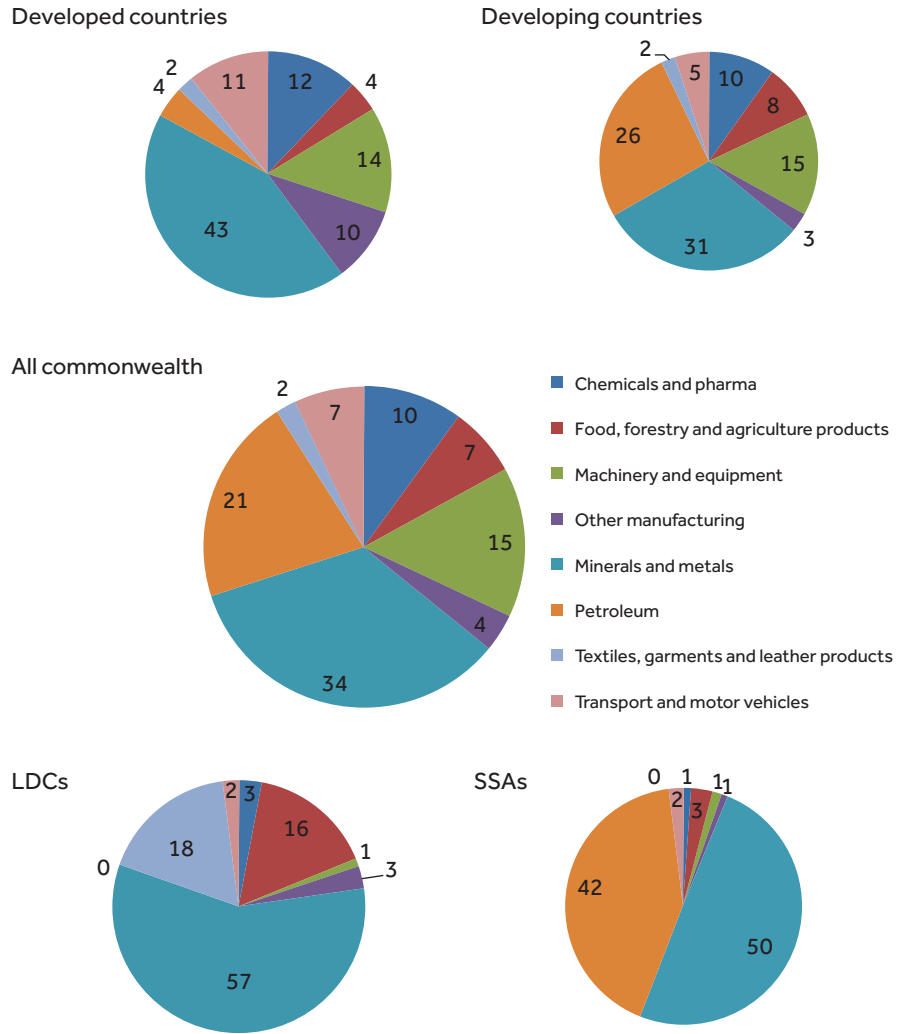
(Continued)

Table A1. A snapshot of Commonwealth countries' trade with India, 2019 (US\$ million) (*Continued*)

	Exports to			Imports from		
	World	to India	Share (%)	World	from India	Share (%)
Pakistan	23,819	67	0.3	50,135	1,010	2.0
Singapore	390,386	11,442	2.9	359,008	6,367	1.8
Sri Lanka	11,805	1,011	8.6	17,936	4,279	23.9
Antigua and Barbuda	37	0	0.0	549	3	0.5
The Bahamas	1,505	54	3.6	10,654	9	0.1
Barbados	444	0	0.1	1,581	17	1.1
Belize	245	1	0.2	986	16	1.6
Dominica	11		0.0	292	1	0.4
Grenada	40	1	1.5	304	4	1.2
Guyana	3,842	2	0.1	5,980	23	0.4
Jamaica	1,586	0	0.0	6,339	61	1.0
St Kitts and Nevis	78		0.0	344	2	0.7
Saint Lucia	97	0	0.2	624	3	0.5
St Vincent and the Grenadines	38	0	0.0	335	2	0.5
Trinidad and Tobago	10,610	79	0.7	6,845	83	1.2
Fiji	1,033	4	0.4	2,738	69	2.5
Kiribati	98		0.0	105	0	0.4
Papua New Guinea	11,806	81	0.7	4,287	57	1.3
Samoa	49	1	1.2	391	4	1.1
Solomon Islands	701	37	5.2	421	3	0.7
Tonga	16	0	0.0	201	1	0.3
Tuvalu	20	0	0.0	91	0	0.0
Vanuatu	172	0	0.1	285	2	0.8

Note: The shaded area indicates SSA countries, while the LDCs are shown in bold.

Figure A1. Product profiles of Commonwealth countries' exports to India, 2019



Source: Authors calculations using ITC Trade Maps.

International Trade Policy Section at the Commonwealth Secretariat

This Trade Hot Topic is brought out by the International Trade Policy (ITP) Section of the Trade Division of the Commonwealth Secretariat, which is the main intergovernmental agency of the Commonwealth – an association of 54 independent countries, comprising large and small, developed and developing, landlocked and island economies – facilitating consultation and co-operation among member governments and countries in the common interest of their peoples and in the promotion of international consensus-building.

ITP is entrusted with the responsibilities of undertaking policy-oriented research and advocacy on trade and development issues and providing informed inputs into the related discourses involving Commonwealth members. The ITP approach is to scan the trade and development landscape for areas where orthodox approaches are ineffective or where there are public policy failures or gaps, and to seek heterodox approaches to address those. Its work plan is flexible to enable quick response to emerging issues in the international trading environment that impact particularly on highly vulnerable Commonwealth constituencies – least developed countries (LDCs), small states and sub-Saharan Africa.

Scope of ITP Work

ITP undertakes activities principally in three broad areas:

- It supports Commonwealth developing members in their negotiation of multilateral and regional trade agreements that promote development friendly outcomes, notably their economic growth through expanded trade.
- It conducts policy research, consultations and advocacy to increase understanding of the changing international trading environment and of policy options for successful adaptation.
- It contributes to the processes involving the multilateral and bilateral trade regimes that advance more beneficial participation of Commonwealth developing country members, particularly, small states and LDCs and sub-Saharan Africa.

ITP Recent Activities

ITP's most recent activities focus on assisting member states in their negotiations in the World Trade Organization and various regional trading arrangements, undertaking analytical research on a range of trade policy, emerging trade-related development issues, and supporting workshops/ dialogues for facilitating exchange of ideas, disseminating informed inputs, and consensus-building on issues of interest to Commonwealth members.

Selected Recent Meetings/Workshops Supported by ITP

21–23 October 2020: Recovery from COVID-19 – Tackling Vulnerabilities and Leveraging Scarce Resources, organised in the framework of the LDC IV Monitor and held virtually on the road to the Fifth UN Conference on Least Developed Countries (LDC5) in collaboration with the OECD Development Centre, UN-OHRLLS and FERDI.

29 January 2020: Looking to LDC V: A Critical Reflection by the LDV IV Monitor (in partnership with the OECD Development Centre and the Centre for Policy Dialogue, Bangladesh) held at Marlborough House, London, United Kingdom.

28 January 2020: Roundtable Discussion on Trade Shocks in the Commonwealth: Natural Disasters and LDC Graduation (in partnership with the Enhanced Integrated Framework) held at Marlborough House, London, United Kingdom.

11 October 2019: Tapping the Tourism Potential of Small Economies: A Transformative and Inclusive Approach (WTO Public Forum) held in Geneva, Switzerland in collaboration with the WTO and the UNWTO.

10 October 2019: Commonwealth Trade Ministers Meeting held at Marlborough House, London, United Kingdom.

26–27 September 2019: 12th South Asia Economic Summit XII: Shaping South Asia's Future in the Fourth Industrial Revolution held in Colombo, Sri Lanka in collaboration with The Institute of Policy Studies of Sri Lanka.

26 June 2019: Launch of the Commonwealth Publication 'WTO Reform: Reshaping Global Trade Governance for 21st Century Challenges,' held in Geneva, Switzerland.

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Trade Hot Topics

ISSN: 2071-8527 (print) ISSN: 2071-9914 (online)

Commonwealth Trade Hot Topics is a peer-reviewed publication which provides concise and informative analyses on trade and related issues, prepared both by Commonwealth Secretariat and international experts.

Series editor: Brendan Vickers

Produced by Trade, Oceans and Natural Resources Directorate of the Commonwealth Secretariat

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