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There's an opportunity for India, post Covid



With the right policy and implementation push, India can help create balance in the world economy

With the unprecedented rising of Covid-19 cases worldwide, the global economy is expected to shrink sharply by 3 per cent in 2020, much worse than the 2008-09 financial crisis. This is no longer just a virus but has turned into an economic war, sparking a debate as to what the future will be like, how the consumers will react — whether a post-traumatic stress disorder will impact the shared economy or classical conditioning will lead to more business. Demand will fall due to lack of purchasing power or supply of services will be hit as enterprises shut. And most importantly, what decisions should business and government take to reduce the impact.

Long before Covid-19, environmental groups, labour unions and populists all criticised free trade and globalisation for different reasons. The biggest question arising is how the pandemic will impact globalisation, which had stagnated since the 2008-09 global financial crisis (GFC).

Although trade as a percentage of GDP has risen from 39 per cent to 61 per cent, during 1991-2008, it has stagnated over the past decade. Events like Brexit and the US' America First Policy that led to the US-China trade war make it evident that not all countries and societies are benefiting from globalisation. Slow globalisation of information, people and energy since 2008 led international media to call it 'slowbalisation'.

Negative impact

Many countries overdependent on trade are already facing the negative impact of globalisation and thus will like to switch imports with domestic production. For instance, Japan has offered \$2.2 billion to firms shifting production out of China, out of which \$2 billion is for manufacturing units shifting back to Japan and \$0.2 billion for those opting for other countries.

Is this the beginning of deglobalisation? Will deglobalisation lead to more employment generation in the country as migrant labour will not be hired? Or will it lead to unemployment as businesses will move back to their countries?

In these daunting times, every country wants to protect its own citizens and economies, but this can have a huge impact on developing nations. Countries for whom most of their revenue comes from tourism and foreign business investments will take a huge hit as world tourism and hospitality will get affected. In such a situation, world powers need to step forward and help these countries in order to create balance in the world economy.

Globalisation may have an adverse effect for now in terms of overdependence but, at the same time, the world came together to help each other in providing medicines and other necessary items, making globalisation a necessary evil. Therefore, this makes us ponder whether Covid-19 will transform globalisation structurally or we will get back to business as usual once the pandemic is over.

A carpe diem moment

As per the current scenario, China is the major hub of manufacturing and amidst the silent retaliation of various countries against China, there stands a golden opportunity for India to increase its manufacturing capacity, harnessing campaigns like 'Make in India' and 'Vocal for local' at the global level. India is blessed with immense resources and manpower that needs to be channelised in the right direction with the right discretion considering the prevailing global situation.

China currently stands at the cusp of trade wars not only with the US this time but with several other nations, which is already evident with companies wanting to mobilise their manufacturing hubs to India. If India manages to have strong supply chain management and better infrastructure, along with India's existing relations with other countries, it's a golden opportunity to become a new manufacturing hub of the world. The world is facing demand-supply shock and India, being an emerging market, can settle the imbalance between demand and supply and achieve its 'globalisation by 2021' aim, which seemed a far-fetched dream when this crisis hit.

From outside-in to inside-out

Implementation is the crux here. With collaboration, quality and sustainability as the top priorities, policies should be designed keeping the circular economy in mind to eliminate waste by continual use of resources. Identification of key manufacturing outputs; providing tax incentives, land acquisition potential, and single-window clearance to those planning to manufacture in these areas; improving the secondary debt market to enhance investment; boosting government spending on R&D in critical areas — these are some of the key decisions to be made in future.

Also, decisions should be reviewed twice to avoid any cobra effect and economic equality should be the ultimate goal nationwide by creating various employment opportunities and easing labour laws. People should be incentivised to buy local products to boost economy and confidence and sustain demand with increased supply.

The on-going suppression of energy prices positively affects India's current account deficit which, in turn, brings India the opportunity to streamline subsidies and thereby free up space for other vital investments. Also, with the reduced fossil fuel prices, India can accelerate its energy transition to liquefied natural gas and prioritise the manufacturing of solar energy components which currently it imports, about 80 per cent from China, for its National Solar Mission.

PLI for mobile phones

Now is the time to bring about a symbiotic camaraderie relationship between private firms and government institutions, so to bring a change of values from outside-in to inside-out.

The government took recent steps in this direction with the introduction of incentives worth ₹48,000 crore to boost mobile phone manufacturing in the country, with production-linked incentive (PLI) scheme, contributing, close to ₹41,000 crore. The aim is to attract top smartphone players like Apple, Samsung, Oppo and Vivo to set up their entire value chain in India, and make the country their export hub. Also, the revised FDI policy that states that an entity of a country that shares a land border with India can invest only after receiving government approval aims to curb opportunistic takeover due to the Covid-19 pandemic, especially from China, also puts all investments from India's neighbours under the approval route.

On one hand we are opening our economy to some countries and restricting it to others. It is yet hazy whether global value chains will only be reorganised, or whether they will be reduced. Whether they will be regionalised, or whether we will see a continuation of globalisation in future.



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The article can be read online, [here](#).