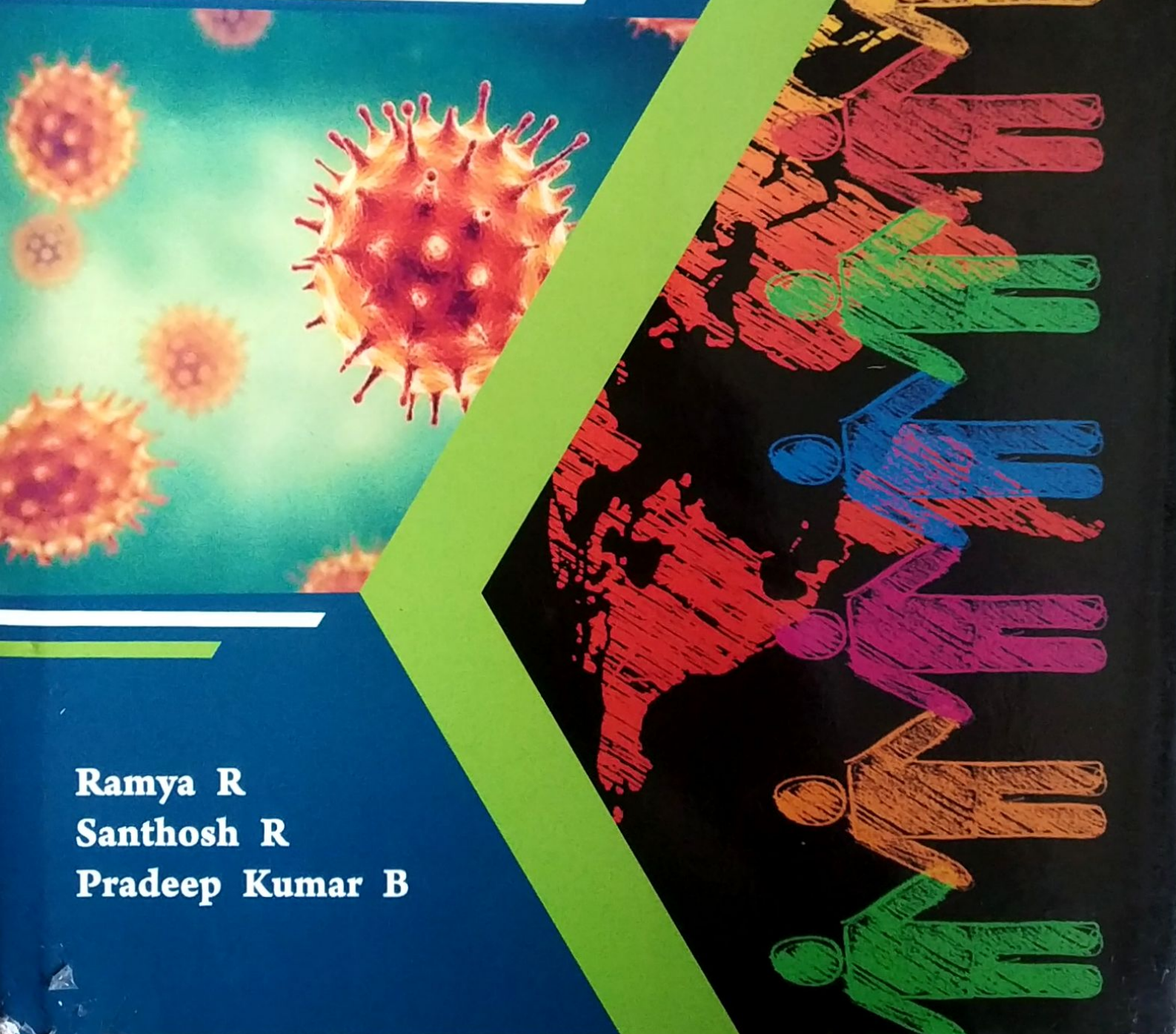


COVID AND COEXISTENCE



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SHANLAX
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PREFACE



Dear readers,

We are going through the ever toughest testing time in our life with the earth's ever disastrous virus, the Covid-19, ravaging into every aspect of our life, making things topsy-turvy to everyone. The borderless virus has become the greatest equalizer as it doesn't discriminate anyone and anyplace in its war against humanity. The so called wealthiest and mightiest countries stand bewildered before the wilderness of the Virus. The invisible Virus seems determined to rewrite the world's history in its name. Economic and health consequences of the pandemic are worrisome. Countries announce packages after packages but in vain. The indirect deaths on account of food shortages, loss of employment and income are likely to be manifold of the direct deaths due to Virus attacks. Lockdowns have unlocked the earth for non-human beings. Rivers roar in happiness as water pollution has come down to the historic low level.

What has caused Covid? Opinions diverge, of course. Is Virus a natural one or a manufactured one? Has it been transmitted from animal to man? It seems the spreading Virus even doesn't permit us to ponder over these questions. The attack of Virus must be seen in the wider context of our desperate efforts to amaze wealth even at the cost of health and existence of the earth itself. The biggest perceived cleansing effect of the Covid points towards this. Has Covid reminded us to stop excessive natural exploitation by polluting our environment? What are the changes that Covid would make to the sustainability of the system? What are the health and economic consequences of the Covid? Are the economic packages sufficient to mitigate the ill effects of the Pandemic? What would be the order of the world in the post-Covid era? What policy changes do we require to fight this pandemic?

Proving our fears absolutely correct, the World has been going through sweeping changes with visible alternations and restructuring of the life and work of people. World around, educational institutions by and large remain closed, making education almost an online activity. Tourism has come to a standstill. Countries have climbed down the ladder of their domestic economic growth rates. Economic packages do not seem to have made

considerable rebooting effect on the economies. Rhetoric on 'new normal' remains almost on paper with some noticeable exceptions in wearing masks and the use of sanitizers. The unlocking of the economies in many parts of the world does not seem to be on the lines of 'New Normal' but on the lines of the same Pre-Covid normalcy. In this backdrop, we are bringing forward a collection of mixed responses of academicians and researchers on the burning issues that emanate thanks to the villainous virus-Covid 19. Articles in this book are arranged in four parts each part dealing with particular issues pertaining to Covid-19. We hope that readers and scholars will find this book worth reading.

Regards,

Ramya R

Santhosh R

Pradeep Kumar B

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COVID-19 AND THE LOOMING ECONOMIC PANDEMIC

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ABSTRACT

COVID-19, even though originated in China, no longer being just a China thing, which, frankly, in and of itself, is more major than they were giving it credit for. China has touched points into every other economy in the world. They are a very part of our global supply chain. And it is not only the case of China, U.S or India; it is the case of the global economy. That those kinds of economic disruptions means, we have lost sales, and it is both supply and demand. We have got production not going, and then, on the other side of the equation, we actually have sales not being made and putting businesses, some businesses out of business entirely, certainly stressing profits, which is what we saw, the reaction, that it could stress a lot of profits. India is not immune. We have a strong international trade and many people are directly or indirectly depending upon it, meaning it has global linkages. Global financial markets are inherently tied. We cannot undo those ties and we cannot put the genie back in the bottle. It is out.

Keywords: Pandemic, COVID-19, Economy

Introduction

The virus has been in the news for months. We have been watching what has been going on in China. Over the weekend, we saw that it's not just a China situation, that it is global in scope. It is an economic pandemic, if it is not an actual health pandemic yet. What that means is, it has hit in all different places in the world, which could make massive disruptions. And the disruptions are not easily fixed with fiscal stimulus, giving tax cuts or cuts in interest rates. We can't recoup some of these losses. And there's also a lingering effect of the reality that something that was once a horror movie and we saw it on a screen now is a reality check, which this can actually happen. And that is going to change the behaviour of businesses. There is a fear factor out there that is people being afraid to go to public places, to travel in a public transport, to go to a market or shopping mall, to conduct an offline transaction and even to meet another person. There is a fear factor that is whether others are carriers of this virus or whether I would be infected. This psychological factor will create a far reaching impact in the consumer - supplier relationship in the future. Those all have ripple effects, and we can't recoup them.

This pandemic is actually a fall out of globalisation because we are all connected. This also proves that we share a common future and a common present also. Maybe we have had different pasts. But the future is going to be common. There are some things that are going to be very much common to all the countries in the future as we are very much connected. We are affected by one another as we connect the dots to make a line. We are so

connected very fast these days and something unforeseen or something which has come as a disaster. Now we are facing it. It is something that needs to be managed, that needs to be administered and it is something which also needs to be focused upon as a calamity for the economy, definitely the world economy. This is like the first world war, the second world war and the implications of the COVID-19 pandemic can be like a third world war. Here we don't have a war actually, but the world is in a war like state. We are having a great death toll in all countries, whether they are developed countries, developing countries or under developed countries. But the implications of the COVID-19 are not going to be uniform in terms of what is going to happen to the economy of each country. Why it is not going to be uniform is the response of the different governments in the different countries with regard to how we face pandemic or how we prepare ourselves for the pandemic. What are the steps the government takes and the timing of the steps are taken are matters. Actually we are in a state of shock. We are in lock down. And it may extend for so many days until we are able to control the spread of the pandemic. We are not in a position to predict the future. We don't know what is going to happen in post COVID. Future becomes uncertain.

Implications of COVID-19 Pandemic: Global scenario

There is no precedent for a crisis like this. These dire economic forecasts and dramatic moves in the stock market have led some to believe this crisis could be worse than the financial crisis that started in 2007 or maybe even than the Great Depression. Depressions last much longer than recessions. The Great Depression went on for more than a decade. Current situation is much closer to a major snowstorm or natural disaster than it is to a classic 1930s style depression.

The main reason this economic downturn is different than many others is that it's not the result of instability in the financial system like we saw in the banking sector in the 1930s, the dot com bust in the 2000s or the housing sector in the mid-2000s. Instead, it's the result of measures needed to contain a health crisis like social distancing and isolation. The most important difference comes out of the real economy, something biological and people's choices with responding to that and not out of financial excess.

Actually there was no fundamental problem with the economy when the virus hit. This is a situation where people are being asked to step back from economic activity, close their businesses, stay home from work. Here the challenge is to prevent the coronavirus health crisis from turning into a prolonged financial crisis. The risk is that of a health crisis, something that through small businesses out of business overnight, something that threw workers, millions of workers out of work overnight. A health crisis could become a Great Depression if we don't deal with it now and provide that support to get through this period of time and have a recovery on the other side.

Today, not tomorrow

In words of Keynes, "In the long run we are all dead." We have to think about the short run. We have to think about today right now. Current scenario enhances the importance of the short run and how we have to tackle the situations and should find remedies for that. When there is a problem in the present, it needs to be addressed in the present itself. Short run measures have to be there. There are limits to what governments can do. Is there anything governments can do? Obviously, taking all the health precautions possible and there are things. There are some prescriptions. But the bottom line is, yes, we can get some lower interest rates to help companies that are in a fragile financial condition because of this, so it can help them. So, if we cut interest rates, which can help financially those companies. But just stimulating fiscal stimulus, if people are staying in their homes that is not going to help on that front. There are some industries that are going to benefit. The health industry, the pharmaceutical industry will ultimately benefit from this, because they will come up with a vaccine. They are already working on it. Other major sectors benefited from the pandemic are telecom, insurance, packaged food and electronic gadgets.

But the other side of it is, the ones that are hurt we saw oil stocks get really hit in these days. That is because we are not using as much energy. All of a sudden, people are measuring China's production by what the air quality is, because it is improving, because their production plants are not up and running fully and operating right now. So the manufacturing sector gets hit. But we also see it in travel, tourism, and all the international retailers. China's consumers are pretty big consumers everywhere. The UNWTO report May 2020 predicts that international tourist numbers could decline by 60-80% over the whole year. In France, right now, there is a 30 to 40 percent reduction in tourism and it is around 40 percent in India with an expected loss of Rs. 5 lakh cr and 4-5 cr jobs. Those are big numbers. And other worse affected sectors are aviation, retail, financial and automobile sectors.

Some countries also may benefit in this situation. For example, Mexico. Mexico could benefit, because it is within the North American Free Trade Agreement (NAFTA) region in the United States-Mexico-Canada-Agreement (USMCA). Since 1st July 2020, rather than a wholly new agreement, it has been characterized as "NAFTA 2.0" or "New NAFTA". The US has a trade agreement with Mexico and that means more production closer. They like to be able to track it closer to home, rather than in China. And so people will be pulling out of China and actually moving to Mexico. They won't necessarily be moving to the U.S., but it keeps it within the North American trade region. The new trade war between China and the U.S also benefits Mexico to gain from international trade closer to their border.

Implications of COVID-19 Pandemic: Indian scenario

The Coronavirus pandemic is putting an end to the longest economic expansion in Indian and world history. We are going into a global recession as we are in an economic downturn. The world is now in recession because everything is shutting down of course. As millions of us remain under orders to stay home, factories have closed and businesses

have shut down. Entire parts of the Indian economy are at a complete standstill. This is an extraordinary disruption. It's almost like a meteor hit the entire planet. And we have to now deal with the fact that we have been knocked off our axis. The RBI and Indian Government are taking extraordinary steps to try to keep the economy afloat. Still, economists in various countries warn this recession will be unlike other downturns in recent history because it was spawned by a health crisis, not by an unhealthy economy.

We may well be in recession, but again, let us point to the difference between this and a normal recession. Actually before COVID-19, our economy was struggling to have stability and we had taken some so called strategic initiatives like privatising public sector undertakings such as Bharat Petroleum Corporation Limited (BPCL), the Container Corporation of India, the Shipping Corporation of India, THDC India, and the North Eastern Electric Power Corporation (NEEPCO) and Air India. After COVID-19, boosting packages were introduced by the Government of India under Athmanirbhar Bharat Abhiyan to curb the negative impacts of the pandemic. Overall stimulus package of Athmanirbhar Bharat Abhiyan can be tabulated as follows.

Aatmanirbhar Bharat Abhiyan (Rupees in crores)	
PART 1	5,94,550
Emergency W/C facility for business, including MSMEs	3,00,000
Subordinate debt for stressed MSMEs	20,000
Fund of funds for MSMEs	50,000
EPF support for business & workers	2,800
Reduction in EPF rates	6,750
Special liquidity scheme for NBFC/HFC/MFIs	30,000
Partial credit guarantee scheme 2.0 for liabilities of NBFCs/MFIs	45,000
Liquidity injection for DISCOMs	90,000
Reduction in TDS/TCS rates	50,000
PART 2	3,10,000
Free food grain supply to migrant workers for 2 months	3,500
Interest subvention for MUDRA Shishu loans	1,500
Special credit facility to street vendors	5,000
Housing CLSS-MIG	70,000
Additional emergency working capital through NABARD	30,000
Additional credit through KCC	2,00,000
PART 3	1,50,000
Food micro enterprises	10,000
Pradhan Mantri Matsya Sampada Yojana	20,000
TOP to TOTAL: Operation Greens	500

Agri infrastructure fund	1,00,000
Animal husbandry infrastructure development fund	15,000
Promotion of herbal cultivation	4,000
Beekeeping initiative	500
PART 4 & 5	48,100
Viability gap funding	8,100
Additional MGNREGS allocation	40,000
Total (Parts 1+2+3+4+5)	11,02,650
Earlier Measures (Including PMGKP)	1,92,800
RBI Measures (Actual)	8,01,603
Grand Total	20,97,053

Source: National Portal of India

In this package, the Prime Minister has mentioned about the 5 pillars of self-reliant India.

1. Economy - Quantum jumps, not incremental changes
2. Infrastructure - One that represents modern India
3. System - Technology driven
4. Demography - Vibrant demography of the largest democracy
5. Demand - Full utilisation of power of demand and supply

Thus this package of Rs. 20 lakh crores which is about 10% of our GDP focuses mainly on land, labour, liquidity and laws to cater to labourers, middle class, cottage industries, MSMEs and industries among others. Even though these packages are here to uplift the economy and the living standard of the people, the unemployment rate is higher than ever. The labour market is really a reflection of the broader economy, and we are seeing a lot of signs that we are having a massive increase in unemployment. Both the services and manufacturing sectors of the economy tumbled. Some companies were already suffering from a supply shock after China shutdown factories earlier this year because of the Coronavirus. The border issue also added fire to this crisis. Some sectors of the economy are also suffering from a lack of demand, especially the luxury goods market, real estates, retail sector, aviation, as consumers stay home. This global drop in demand is reflected in the price of oil, which is near its lowest level in nearly two decades.

Conclusion

Indian government has taken big steps to try to reduce the economic harm of the Coronavirus pandemic. The action that policymakers take now will help determine how long the coronavirus recession lasts and how quickly the Indian economy can recover. The

first step on the road to recovery is containing the spread of the virus. If you can get the biology under control, then the economy can start to recover.

Some like to think of economic recessions and recoveries in terms of the letters V U or L.V is a quick rebound in growth where consumer and business activity surges after a downturn. U means a slightly longer downturn followed by a recovery. L is the worst case scenario, a long, slow recovery like the one U.S saw from the financial crisis.

And the question is, when we get to the other side and when the virus passes, how do you know how fast the recovery is? Businesses' abilities to stay solvent while they are closed are one factor that will affect the shape of the recovery. Another factor is how quickly the people who are laid off will be able to get their jobs back and if the relief from policymakers will be enough to get them through prolonged uncertainty. There is also the question of how quickly consumers are willing to go back to their normal activities even after the virus has been contained. Nothing is going to force the people of the world to suddenly start flying airplanes again. Nothing is going to force the people of the world to suddenly start crowding into stadiums again. Some are raising alarms that the Government and the RBI are risking another crisis by increasing debt and deficits with their stimulus measures. But as the human costs of the pandemic continue to mount, the focus for now should be on providing relief to workers and to companies so that the economy can bounce back. We cannot put this in the framework of other recessions. This is hitting us on so many different sides and could metastasize into something that is literally viral for the economy as well, and that the whole point is to survive this and come out healthy on the other side.

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