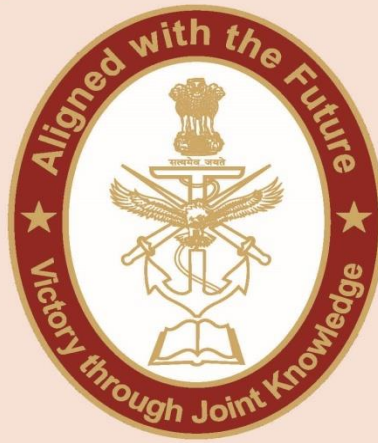


CENTRE FOR JOINT WARFARE STUDIES



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ECONOMIC OPPORTUNITIES FOR INDIA IN COVID-19 TIMES

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A crisis often offers an opportunity to those who can grab it during that period instead of putting all their energies in reacting to the crisis. A prompt and effective crisis management to minimise loss of lives and livelihood is of course the basic duty of the leadership which is being done very well by our government, but visionary leadership would also think ahead and take actions which will benefit the country in the future. Exploiting fleeting opportunities in an adverse situation is the ultimate acumen of war fighting for an audacious military leader. This principle of warfare like many others is as much applicable to economies in the current global environment. It wouldn't be wrong to state that economies are always engaged in a low intensity/ open economic conflict in which the smarter ones take appropriate actions which make their economies more competitive. COVID-19 offers one such opportunity to emerging economies like India.

COVID-19 has come on the heels of US- China trade war which for sure changed their economic relations. Rising labour costs in China were prompting multinationals to look for alternative supply chain arrangements even before the Corona outbreak. After the current Corona outbreak, construction equipment maker Komatsu has shifted procurement of some components to Japan and Vietnam away from China. Similarly, Daikin has started sourcing some components from Shanghai instead of Wuhan and may procure compressors from Japan or Thailand. It is evident, that every

disruption nudges the companies to diversify sourcing to mitigate risk to their supply chain. The current outbreak is unparalleled in expanse and magnitude of devastation. Death toll from this pandemic stands at over 100 thousand and counting with and more than Two million people have been infected globally. The IMF has acknowledged that the global economy has gone into recession which will have debilitating effect. During the last few decades, availability of cheap components and products, made China the global Supply Chain Hub without visualising the risks involved in putting all eggs in one basket. As the world comes out of this disaster, businesses would be looking for alternative sources of supply as part of Risk Mitigation strategies to be better prepared for future disruptions.

It is believed that five Asian alternatives to China in the global supply chain are Malaysia, India, Thailand, Indonesia and Vietnam who are also termed as 'MITI-V' or 'Mighty Five'. India has a major advantage of a large work force available at a very low cost of \$ 2.54 per day, though minimum wages vary from state to state in India, like Delhi has the highest minimum wage of about 8 dollars per day. Decentralised governance system, due to which each state has different rules and regulations governing the manufacturing sector implies lack of uniformity in the countrywide business environment. Lack of infrastructure compared to other countries discourages global investors. India is ranked 44 in the World Bank Logistic Performance Index of 2018, which is published every alternate year, while China is ranked at 26. Due to continued efforts, India's ranking in 'Ease of Doing Business' has improved from 130 in 2016 to 63 in 2019, yet behind China which is ranked at 31 in 2019. Countries of South East Asia will offer stiff competition to India because they have a robust business environment nurtured over the years. India needs to work a lot to compete with other players. We hope our administration acts in a proactive manner following the motto of 'Nation First'.

India's potential as an economic power has been acknowledged for a long time but this potential has yet not been fully realised. We need to switch from 'Planning' to 'Implementation'. This global crisis has offered a god sent opportunity to attract global investment because it makes business sense for global businesses to look for alternative sources of supply chain. India has shown exemplary leadership in handling the COVID-19 outbreak, minimising loss of lives. Time has now come to grab this opportunity to facilitate multinationals in setting up manufacturing units in India by giving clearances in a time bound manner.

On the domestic front, it is a great opportunity to take bold decisions on reforms. In agriculture, on which more than 50% of our population is

dependent, there is a need for immediate reforms. In order to make the food items reach from 'Farm to Fork' the government must do away with the Agriculture Produce Market Committee Acts (APMC) which are a state subject and the central government has requested the states to suspend it till 30 June. Similarly, a lot can be done on the food processing front to prevent food and milk wastage. Indian businesses are fed up of inconsistencies in business policies and tax laws making 'start ups' extremely risky. This is a rare opportunity when states and the centre are united, and we see less of politics and more action which the country must take advantage of. For businesses to grow, issues like land acquisition, labour laws and transparency in business processes need immediate attention. Administration must value business houses who come forward to invest even within the country and help in removing their impediments and not create obstacles for them pursuing personal/ political agendas. A strong message must go to the global business community that India is the country to do business with. Once a proposal has been made by the investor, it should be the duty of the administration to chase it and not the other way round. Follow up actions to help such businesses operate efficiently is another issue which merits attention. Tax and other laws must not be changed arbitrarily.

The centre and states must implement economic reforms on a war footing because such investments will be true service to the nation which will result in building forex reserves, generating jobs and giving better quality of life to the needy. Like stated above, great leaders grab an opportunity in a crisis and time has come to make India a global manufacturing hub.

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