



RIS Diary

— Research shaping the development agenda

From Director General, RIS

RIS is bringing out this second edition of special issue of the RIS Diary on COVID 19. It has contributions by our colleagues on "Ripple Effects of Covid-19 on the World and India: Sequence of Prevention Strategies" by Professor S. K. Mohanty; "WHO's Role in the Covid-19 Outbreak Must be Strengthened" by Dr Bhaskar Balakrishnan; "Food and Nutrition Security in COVID-19 Times" by Dr P. K. Anand and Krishna Kumar; "Covid-19: A New Hope for Global Multilateralism" by Augustine Peter; and "Reforms Package-Covid-19" by Subhomoy Bhattacharjee.

We are sure the suggestions made in these special articles would be found useful while we are confronting the unprecedented challenges at the global level and are evolving strategies to combat the menace of COVID 19 afflicting humankind at health, safety, family, occupational, economic, social and day to day fronts. We would certainly look forward to benefiting from your views and feedback.

Sachin Chaturvedi

Ripple Effects of Covid-19 on the World and India: Sequence of Prevention Strategies

S. K. MOHANTY



The present global crisis, emanating from the outbreak of Covid-19 has been unparalleled in the annals of contemporary global history. The consequences of the global crisis are gradually unfolding in the form of colossal loss of lives, apprehension of unpredictable deaths in future, loss of employment, sharp slump in the growth curve of the world economy, perpetuation of recession, etc., which are taking the world economy towards a state of uncertainty from where

it would take years to return to the pre-crisis level. The killer novel coronavirus was first detected on 17 November 2019 in Hubei province of China and the province was under lockdown since January 23 2020 to combat the rapid spread of the virus. The fury of the pandemic has subsided in China, but it has spread like a wildfire across the globe. So far, 17.8 lakh cases have been reported including 1.1 lakh deaths and 4.1 lakh recovered globally as on 12 April 2020. As many as 210 countries have reported

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incidence of Covid-19. The US has reported 5.33 lakh confirmed cases, 32 thousand patients recovered and 20.6 thousand deaths. Situation has remained grim for several countries in Europe, Asia and Latin America. Upto end of January 2020, as many as 20 countries reported regarding coronavirus; 35 new countries joined the group in February and rest 155 countries enlisted in the group in the following months of March and April. The global response to the pandemic outbreak was sharp and consistent across countries.

The impact of the Covid-19 has been grave and the world economy is heading towards worst economic fallout in 2020. As against a strong expectation regarding a robust recovery of the world economy, the novel virus was instrumental for depressing the growth performance in 2019. The IMF described the situation as 'way worse' than the situation prevailed during the great recession in the world in 2008. It estimated the growth rate of the world economy at 2.9 per cent in 2019. Continued US-China trade war and that broken out of a pandemic since mid-November subdued growth expectation of the world economy in 2019. Since expectation regarding complete phased out of Covid-19 from the world economy is beyond comprehension, exact assessment of the growth projection for the world economy is not yet assessed. Considering the grim picture of the globe, WTO has described the post-Covid-19 situation as worse than recessionary conditions prevailed during the 1930s.

Apart from North America and Europe, the Asian continent is likely to be hit hard in 2020. As the World Bank forecast, the growth rate of China is likely to shrink from 6.1 per cent in 2019 to 2.3 per cent in 2020. Similar projections for the developing East Asia and Pacific region stood at 2.1 per cent in 2020 as against 5.8 per cent in 2019. The South East Asian (SEA) economies are under strain with the continued trade war between the US and China; and their strong linkages with the latter through Global Value Chains (GVC). Their relationship is further under pressure because of Covid-19 which may push their economies into deep recession. As a fall out of the spread of the disease, several sectors are likely to be affected globally and SEA countries are no exception to this trend. According to the World Bank, contraction of GDP growth is likely to push 11 million people from the region into the poverty trap.

In a situation where spread of Covid-19 is not contained, the world economy is expected to go down to a level worse than 2008 Financial Crisis,

and international trade is to be affected the most. The effect of the Post-Covid-19 period would be challenging for reviving the global trade. According to WTO, global trade is forecast to decline between 13 per cent and 32 per cent in 2020, since downside risks associated with the novel coronavirus are ambiguous. Fragile outlook for trade may not continue in 2021 and growth in international trade for the year would oscillate between 21 per cent and 24 per cent, depending upon the period required to contain the disease and efficacy of policy response by the affected economies. The impact of the disease would be felt in merchandise trade and trade in services. Trade impact is likely to be experienced in specific sectors such as GVC, machinery, automobiles, precision instruments, chemicals, medical devices, personal protective equipment (PPE), tourism, insurance, transport, ICT, finance, etc. Sharp decline in global trade in 2020 is likely because of restrictions in transport, travel, export restrictions, overcapacity in the manufacturing sector, knock-on effects for goods among others.

India was a latecomer in experiencing cases of Covid-19 in the country and the first case of the disease surfaced on 30 January, 2020. At a very early stage of viral infection, the country took punitive measures to arrest the spread of the disease. In a sequence of policy responses, India promulgated a series of measures to address further proliferation of the disease and kept economic activities going uninterruptedly. With the proper mix of fiscal and monetary policies, lockdown policy was maintained effectively. Economic stimulus to the extent of 1 per cent of GDP was extended in the first phase and more incentives are likely to follow in due course. Because of the continuation of the global recession and outbreak of Covid-19, the GDP growth rate is lowered to 2.5 per cent from 5.3 per cent in 2020 by Moody's Investors Service. In the Financial Year 2020, India is expected to improve its growth performance to 3.5 per cent. At the present situation India's trade scenario is highly fragile. Due to self-imposed suspension of economic activities in a number of sectors for containment of the spread of virus, India's exports are expected to decline between 18 per cent and 35 per cent in 2020, depending upon length of the lockdown period and coverage of sectors under restriction. With the advice of the state governments, the Centre is considering to extend the lockdown period and also to open up some of the priority sectors to maintain normal economic activities in the economy.