

Post Covid 19 economic challenges for South Asia

An economic strategy with reliance on innovation, digital economy and start-ups could be the way forward

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(http://www.dailynews.lk/sites/default/files/news/2020/06/01/z_p08-Post-01.jpg)

Prof. Sachin Chaturvedi

According to global economic reports, South Asia will likely experience its worst economic performance in the last 40 years as a result of the global economic fallout triggered by the COVID-19 pandemic,

"The muted growth prospects in the medium term due to COVID 19 would aggravate poverty, unemployment and inequality in the region. The cumulative effect in terms of loss of entitlements to education, health, and gender justice would be significant," said Research and Information System for Developing Countries (RIS) Director General Prof. Sachin Chaturvedi in an interview with the Daily News.

Two important long term economic recovery strategies for Sri Lanka that could be effectively deliberated upon in the short-run include: Supporting and facilitating further strengthening of regional supply chains in South Asia, and making use of Sri Lanka's high quality human resources - skills and technical expertise., Prof.Chaturvedi added.

RIS is a New Delhi-based policy research institute, supported by the Government of India.

Excerpts

Q: The South Asia Economic Focus issued by the World Bank in April estimates that South Asia's economic growth will fall to a range between 1.8 and 2.8 percent in 2020, down from a 6.3 percent growth projected six months ago. How would you explain the economic impact of the Covid-19 pandemic on the South Asian region?

A: The South Asian region was emerging as one of the most dynamic regions of the world with higher per capita GDP growth. However, their import dependence was also going up. Disruptions in global supply chains in the wake of Covid -19 are likely to push up import costs and increase vulnerabilities. South Asia already bears a global burden of poverty. The muted growth prospects in the medium term due to COVID 19 would aggravate poverty, unemployment and inequality in the region. The cumulative effect in terms of loss of entitlements to education, health, and gender justice would be significant.

Q: What studies have been done / are being done by the RIS regarding the pandemic and its economic consequences?



(http://www.dailynews.lk/sites/default/files/news/2020/06/01/z_p08-Post-02.jpg) **A:** RIS has brought out three Special Issues of RIS Diary, which contain, among others, the following articles:

- 1) COVID-19: Time for Global Partnership;
- 2) Lockdown, Containing COVID-19 and Dealing with Interstate Migrants;
- 3) The Macro-Economic Impact;
- 4) Arguing for a Global Pandemic Insurance Fund;
- 5) Industrialisation in a Post-COVID World: Options for India;
- 6) COVID-19: May Perpetuate Uncertainty in Indian Financial Sector;
- 7) Ripple Effects of Covid-19 on the World and India: Sequence of Prevention Strategies;
- 8) Would the Master Return Again? Revisiting Keynes as We Prepare for Postlockdown;
- 9) Food and Nutrition Security in COVID-19 Times;
- 10) Covid-19: A New Hope for Global Multilateralism;
- 11) Reforms Package - Covid-19;
- 12) Harnessing Science, Technology and Innovation in India for Tackling COVID-19;
- 13) Science, Technology and Innovation - Fighting the COVID-19 Outbreak;
- 14) Global Governance of Technology, Institutional Architecture and Indian Response to COVID-19;

15) Science, Technology and Innovation and the Challenge of Epidemic;

16) Impact of COVID-19 on the World Economy; and

17) Global Institutions and COVID-19.

A Special Issue of Development Cooperation Journal, with focus on Africa in the context of COVID-19 has also been brought out by RIS.

Q: The South Asian region comprises eight countries. India, the world's largest democracy is no doubt an overwhelming presence in the region. However the economic toll of Covid-19 on India is huge. How would it affect the country and the rest of the region?

A: Indian economy supports the regional economy for obvious reasons through channels of trade and investment. India is the largest trading partner for many of the South Asian nations. No doubt a quick recovery in India would support economies in the region, even as global demand is projected to remain low and may sink into deep recession. India has already come out with a detailed and comprehensive stimulus package covering agriculture, MSMEs, and social security. India is helping neighbouring countries with medical aid, has led the creation of the SAARC Covid Fund and is providing technical assistance in the area of pandemic control through virtual formats (under the flagship Indian Technical and Economic Cooperation-ITEC programme). Controlling the pandemic sooner would minimise toll on the economies in the region.

Q: How far is it correct to say that Covid-19 pandemic has created a new wave of economic nationalism across the globe ? To developing countries like Sri Lanka, is it an economically viable option?

A: Countries have realised dangers of high degree of concentration of supply chains and production networks in a few countries in the aftermath of COVID 19. There are geopolitical considerations as well. Hidden and emergency costs go beyond competitiveness considerations. It is natural that a global crisis of this magnitude would re-define economic strategies. However, smaller countries cannot think of large scale industrialisation, even though they must aim for deeper value addition in champion sectors. In South Asia, regional cooperation leading to regional self reliance is a better idea. India-Sri Lanka FTA is a case in point that has served well to foster industrial value chains embedded in the region.

Also see the list of articles from the Special Issues of RIS.

Q: Countries like Afghanistan, Bangladesh and Pakistan spend below the regional average on their respective health sectors. The need to invest prudently in the health sector is now being felt more than at any other time. What is your opinion?

A: The proposal on Universal Health Coverage (UHC) is gaining ground. G20 has focussed on the feasibility of the idea. We are aware that increasingly ODA has fallen below expectations and resource poor countries with weak health systems need larger support. Financing of healthcare should get urgent attention, and the urgency has multiplied with the pandemic. Health should be treated as Global Public Good. LDCs and developing countries need to be supported in that regard.

Q: South Asia needs to prepare a way forward strategy for a post Covid-19 era. Coherent national strategies well supported by regional cooperation efforts need to be put in place. How should the countries in the region make use of Fiscal and Monetary policies to expedite the economic recovery?

A: The comprehensive economic package announced by India recently is a perfect example how a combination of both monetary and fiscal policies can be intelligently adopted for reviving economic activities. The availability of liquidity, preference for credit and compliance exemptions and holidays backed by sovereign guarantee have been robustly worked out. Stability of the financial system has been ensured. On the Fiscal policy front support for the rural sector, employment generation and targeted social

security to tide over the crisis have been carefully presented. In addition, to unlock potential of competition and minimise rent seeking towards credible economic recovery have been addressed through a slew of economic reforms in key sectors covering agriculture, mining and manufacturing.

(For more information see articles from the Special Issues of RIS.)

Q: Economists have already warned that the Coronavirus could drive half a billion people into poverty worldwide. Even Though South Asia has been a region battling with poverty throughout its history, in the last few years poverty rates showed a gradual declining trend. With the spread of the coronavirus regional poverty level would increase once again. In a post Covid-19 South Asia, what long term strategies should be adopted to overcome this crisis?

A: While we have already discussed the chances that poverty scenario might worsen in the region a four pronged strategy to address immediate rise in poverty ratios would be necessary:

1. Comprehensive social security net
2. Support for agriculture, rural and MSME employment
3. Micro-credit and strengthening of SHGs, Cooperatives
4. Focus on urban poor

Q: Is it possible to predict a speedy economic recovery for the South Asian countries? Would you predict a 'v' shaped recovery for the region?

A: Depends on how quickly we control the pandemic in the region. Recovery may be staggered, and linked to the interplay between demand and supply. With prolonged physical distancing measures, and direct toll from the pandemic both supply and demand are affected. Careful government stimulus package as explained above would be key.

Q: Could you recommend a few sustainable economic recovery strategies for Sri Lanka?

A: Two important long term strategies for Sri Lanka that could be effectively deliberated upon in the short-run include: 1. Supporting and facilitating further strengthening of regional supply chain in South Asia 2. Sri Lanka has high quality human resources - skills and technical expertise.

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