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Thru' the Desk of the Editor

90% Economy could be a misnomer

In April 2020, China after lockdown period of about 75 days due to Pandemic opened its Economic activities whereby trains started running, factories siren started blowing, Hotels and Restaurants were delivering food and other hospitality services, it declared within 1 month that China's economy is back on the path and humming with optimism. And a new term was coined – 90% Economy.

But one must still ask a question whether whatever China will produce as per order book position (i.e. demand/orders placed before onset of Pandemic), would be shipped and the customers all over the world, would take deliveries? Even in July, when major part of the world is still grappling with Pandemic – lockdown – recession – unemployment, who will honour their contracts, take deliveries and pay for it? If in all possibilities not, then an export driven economy of China is headed for a further downward spiral and it is a matter of time that 90% Economy would become 80% – 70% in next few months.

China's dubious handling of COVID 19 issue and associated data is neither doing any good to its prospects of economic revival. In fact, there is growing anti-China sentiments, so much so that many countries have overtly banned import of goods and services from China. This evolutionary movement will have cascading impact and will lead to pulling down the economy to the next lower level.

If one measures size of any economy by its GDP or GNP then 90% economy could be big eyewash. Certain industries will close for sure(many big companies in US are filing for bankruptcy like Airbnb, Chanel) and certain jobs will never return back to a pre-pandemic level. Pandemic's Psychological, social, emotional and therefore behavioral impact on the people will be long lasting and different than ever. World Economies will turn inward in its approach at least for next 2-3 years and may be for longer time period. (US & Japanese giant companies are moving out of China and relocating either to there home country or some other geography – "As per Gartner's recent survey at least 33% of the companies are moving their supply chain out of China." June 24, 2020) Apple, Microsoft, Google, Panasonic to name a few, who are actively looking out to move away from China.

So called bigger Corporations having deeper pockets, might survive but there will be death blow to SME & MSME sector companies, which might disrupt supply chain of bigger companies. Consumption patterns will definitely undergo and is undergoing tectorial shift and businesses need to adapt to the changing patterns.

Other fundamental economic mismanagement issues in China like RMB being artificially held back as compared to its intrinsic value, huge/excessive manufacturing capacities which will remain underutilised, unviable economic expansion in the form of outbound investment projects like CPEC and a few others, large scale unemployment, to name a few, are already casting its shadow and these self-created problems are going out of manageable proportions and people at grass root level have started protesting.

Chinese currency (RMB – Yuan) being fixed exchange rate currency and not fully convertible, is undervalued for a long, maybe, to an extent of 30%, on purchasing power parity (as per Peterson Institute of International Economic Research), probably since 1990s to give its export drive, an edge. But due to such a practice, it has created a bubble, a yawning gap, which is now difficult to manage.

If at all amongst major world economies, India is expected to clock some minor but position GDP growth, it could be not fair to say world is leading to another 'Great Depression' but quite different than that of 1930s. Then it took about 3 years for revival, this time grave could be dug deeper.

Its expansionist political agenda has led to border disputes with most of its neighbouring countries. Though it is touted that these issues have been racked up to divert local public's attention, but it is feared that it may boomerang on itself.

Top of all the reasons, trustworthiness of China and its leadership, is at historic low, which will trigger its downfall and increase its problems exponentially.

The whole scenario can be co-related and compared with historical indicator – where Dhritarashtra, King of powerful empire – Hastinapur, nurtured his ill-founded ambition, led to a war and massive destruction. Can India and its leadership play a role of Krishna, of at least making efforts as a balancing factor to avoid World War III?

World is any way fighting its war simultaneously, on numerous fronts like Economic recession, unemployment, global warming, collapsing of Paris convention, WTO, NATO, credibility of WHO, BREXIT, Pandemic ….. and if at all, patience could be a virtue, else, all roads will lead to a military conflict!

So 90% Economy seems not at all an inspiring indicator but a Hocai to suggests choppy path for future.

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SENSEX is like IPL – Business for a few, entertainment for many, and pain for most. – There is nothing Normal – where is the question of New Normal?

If any stock market index like SENSEX/NIFTY, is a tool to reflect performance of dominant/bigger companies from the major sectors of the economy, representing chunk of GDP of the country, then ideally it should reflect true health of the country's economy. But then there is a catch – because different players (Animals) in the stock market while making buying and selling decisions don't go by historical performance alone but also try and reflect expected performance of these companies in short-medium and long term. That is where it introduces speculative elements in the forecasting models which leads to divergent behavior. When experts forecast future, certain elements are foreseeable and certain elements are merely expectations which could be optimistic, neutral or pessimistic. It means, be it fundamental analysis or technical analysis that experts use are merely 10% indicators and rest 90% is taken care by disclaimer – *"Stock Market investments are subject to market risks."* It means experts are not responsible for their advice. Then why can't other professional like doctors, architects, engineers claim so? A true professional will always endeavor to reduce the uncertainty zone into a certainty zone.

Let us see statistical data on stock market indices in last 3 months –

SE Indices (EOD)	28.02.2020	20.03. 2020	21.04.2020	21.05.2020	21.06.2020
SENSEX	38297	29915	30636	30932	34731
NIFTY	11201	8245	8981	9106	10244
description	February (figs, in Cr.)	March (figs in Cr.)	April (figs in Cr.)	May (figs in Cr.)	June (figs. In Cr.)
FII – inflow/outflow	1820	-61973	-6884	14569	21832

Let us try to draw some inferences from this data –

1. 3 weeks before the actual lockdown, market was at high – so no wind/clue of Pandemic affecting India – when 40 countries had reported COVID 19 cases and India had already reported 3 cases. (WHO Reports)
2. On the last trading day before lockdown date, market failed by nearly 22% – would you call this as discounting the information? It is more an insider information which select few fund managers (FIIs) had, who could offload their holding and make killing.
3. In 3 months – as on 21.06.2020 – markets recovered by nearly 16% i.e more than 2/3 of the previous level. Why such an increase/ in fact COVID situation in India worsened – crossed 4 lakhs mark with doubling rate of about 10 days. Spurt in SENSEX/NIFTY It is mainly due to positive FII inflows. It is difficult to understand when doctors, scientists, policymakers – none of them had any clue when the curve of COVID Patients will

flattened, whether it is stage 2 or stage 3 of Pandemic Phase, when we will be successful in getting the vaccines but the so-called investors very up beet about India. Only positive could be that India started 1st unlock down phase. But it cannot be the sole driver.

So the mute questions are –

1. Whether stock market indices really indicate health of any country's economy?
2. If importers and exporters are subject to strict compliance regime then why note same yardstick applicable to FII and PN investors?
3. Why not investments originating from tax heaven nations be subject to more close scrutiny?
4. Why can't we encourage FDI from tax heaven nations?

There is a room to believe that SE indices move in the pre-decided direction and then a reason is attributed to such behavioral movement rather than vice-versa situation.

Let us try and find similarities in IPL and stock market indices –

1. Possibility of big and strong Franchisee Owners winning IPL titles more no. of occasion is higher like in case of big fund managers with their financial muscle power on stock market performing better than others thereby yielding better results. So insider information trading is necessary evil for fund managers.
2. Government gets piece of cake in the form of taxes and other levies irrespective market going up or down AND irrespective any team winning and losing.
3. Players get handsomely paid for winning and losing both irrespective of results like in Stock markets fund managers, brokers, advisors credit rating agencies are paid irrespective of market going or going down.
4. It is safe game to bet on dark horse in both the games of stock Exchange and IPL whereby betters and players both are in win-win situation and poor public pay for it. (otherwise why Jaydev Unadkat should get highest bid than ABD, MSD, VK to name a few)
5. In both games emotions of general public is capitalized by select few to make killing for themselves and in the process if others get to earn, then nothing like it.
6. If game of chance is a pre-dominant element in both the businesses then why IPL is in the entertainment industry and Stock Markets are economic barometers of the country?
7. If stock markets have regulators then why not IPL like entertainment, should have regulator?

If Credit Rating Agencies mainly consider historical data and fundamental analysis as tools for arriving at ratings then how can we depend on such ratings for investments be it in equity or in debt which is largely influenced & distorted by future uncertain and emotional events? No wonder corporations have fallen; frauds are committed irrespective of credit ratings awarded by such companies. (Case for discussions could sub-prime crises, Satyam fraud)

If market pricing of equity/debt itself is based on lots of speculation and discounting of future then one can imagine 'Derivatives' for which underlying assets/security is equity/debt, is nothing but next level of betting and gambling but because it enjoys statutory recognitions, it is a white collar game with status symbol.

So, is it long overdue to change the perception and outlook at Stock Markets to be the true economic indicators and barometers of any country's health and soundness?

No wonder FII/PN are termed as 'Hot Money' and has nothing to do destination country's economic health, its development but everything to do with how one can earn and safely take it out of that country. Whereas FDI will not only ultimately look out for return but also stay in that country through its thick and thin. And also contributes in some development of that country.

If in IPL – entertainment game also, some of the Franchisees are disqualified and driven out of game then all the more reasons players whose business plan is not in the interest of country's economic goals, strategic goals and top of it National Interest, should be driven out before they cause damage to other players and still remain elusive. And for identifying such black horses, to bring them to the books, it does not require any complicated models and tools but a strong WILL.

So, its high time, the Regulators to look at Stock Markets as not a game of entertainment but regulate all the players with fair scope of earnings which is aligned with country's economic health and its National strategic goals.

Both stock Markets & IPL are not bad if you know what to gain and what not to lose. When you lose in stock market, you should watch IPL AND when you gain in stock market you should avoid IPL. No issues if you can't become Warren Buffet, but at least walk on the path laid by him and follow his principles – ***"You can't produce a baby in one month by getting nine women pregnant,"***

In IPL you should gain enjoyment value and lose gamesmanship. In Stock Market you should gain patience and lose greed. All is not bad in stock market especially if you use little prudence and sale when market is going up and buy when market is going once it touches threshold gain or lose limits.

All said and done one must not forget that ***"…..in INVESTING, always remember that Rome was not built in a DAY." And "—— in TRADING, Hiroshima and Nagasaki were destroyed in a day."***

In the words of Mr. David Rosenberg, Economist, In the current Pandemic global situation – there is nothing normal – where is the question of 'New Normal'? It seems it holds good for Stock markets for ever.

BY PROF ANANT AMDEKAR

India's three-layered pragmatic statecraft at WHO amidst US-China rivalry

On 22 May, Indian Health Minister Harsh Vardhan assumed the **chair position** of the World Health Organisation's (WHO) Executive Body for the next three years. Earlier, in the run-up to the 73rd World Health Assembly (WHA), the WHO's governing body, Indian statecraft faced three distinct but interconnected conundrums – Taiwan's **observer status at WHA**, an independent investigation into **the source of COVID-19 outbreak**, and **WHO reforms**. The three conundrums will incessantly test Indian statecraft and challenge New Delhi's multilateral leadership aspirations during India's WHO leadership term over the next three years.

Against this backdrop, any policy decision by India in its leadership position at the WHO will hold diplomatic and geopolitical implications. Meanwhile, Indian geopolitical analysis hit the twilight of realism and idealism. Yet, neither of them offers diplomatic dexterity to traverse the geopolitical uncertainty in a COVID-19 world. Only pragmatism reinforces New Delhi's prospects to maximise Indian interests and minimise the global disorder. As a result, New Delhi will need to practise balanced statecraft and maintain strategic autonomy at the WHO through a three-layered approach over the next three years.

Critical Circumspection on Taiwan's Membership

For disavowing the "**One-China**" policy, Beijing **opposed** President Tsai Ing-wen-led Taiwan's proposal for WHA observer status, which it managed to secure under Kuomintang Leader Ma Ying-jeouas "**Chinese Taipei**"for eight consecutive years between 2009-16**.** In March, as the US-China relations were at a nadir, President Trump approved the TAIPEI legislation to shore up Taiwan's international posture and promote its participation in international organisations as either a member or an observer. In addition, the US' diplomatic heft gained support for Taiwan's bid from the **UK**, **Canada**, **New Zealand**, Taipei's **fourteen diplomatic allies** and two **QUAD** members – **Japan** and **Australia**. Taiwan's WHO observer status is thus now more an international political and diplomatic issue than a global health security concern. Taiwan's WHO observer status is thus now more an international political and diplomatic issue than a global health security concern. Despite the US-led coalition's **support**, India neither issued public statements nor implied any support for Taiwan's WHA membership bid. India's position on Taiwan offers three explanations.

First, New Delhi's critical circumspection signals an intent of diplomatic complaisance with "One-China" policy and **China's core interests**, in consonance with **India-China consensus**. The bilateral consensus aims to strengthen India-China relations by respecting each other's sensitivities, particularly those of territory and sovereignty.

Second, India's long-term interests to maintain peace and tranquillity along the 3,488-km long border with China – the Line of Actual Control (LAC). Although "**temporary and short duration faceoffs**" are usually recorded along the LAC due to "differing perceptions" of the border and claim lines, the 73-day "**Doklam stand-off**" at India-Bhutan-China tri-junction in 2017 manifested Beijing's game of military **brinkmanship**. Ahead of the WHA, localised scuffles renewed border conflict on **5 May**. Although the tensions escalated as the WHA was nearing, India's new leadership role in WHO is unlikely the sole factor behind Beijing's bellicose military approach. Yet, any plausible attempt by New Delhi to promote Taiwan's membership bid might have antagonised Beijing, leading to shrinking of conducive diplomatic channels, which were **successful in diffusing the Doklam stand-off** and laid the ground for the **Wuhan informal summit**.

Third, to maintain stable supply chains, especially of critical sectors such as pharma and the medical industry. While India has achieved self-sufficiency in producing masks and personal protection equipment (PPE), the country continues to import an estimated 70 percent of its active pharmaceutical ingredients (API) from China. To understand the nature of risk associated with APIs, early supply chain disruptions in February due to lockdown in China made **ICRA** to **downgrade** its outlook on the Indian pharma industry from 'stable' to 'negative'.

Although the risk of a comprehensive ban on API exports remains low, Beijing is capable of deliberately imposing export barriers on critical APIs, which is more likely if India supports Taiwan. Further, any supply chain disruptions at the time of COVID-19 will have catastrophic consequences and New Delhi cannot afford to divert its focus and energies.

Taiwan's observer status will re-occupy geopolitical center-stage ahead of the WHA in 2021 and following two years. Pragmatism offers flexibility to reassess the statecraft in accordance with any changes in the above-mentioned three factors in the coming months and years. However, considering changes are unlikely to happen in the next three years, New Delhi is expected to refrain from supporting Taiwan during its WHO leadership position.

Conscious Cooperation for COVID Investigation

Australia-led diplomatic campaign gained the support of **122-member nations**, including India, to seek an "impartial, independent and comprehensive evaluation" into the origins of the coronavirus and WHO's response. While holding the demands over Taiwan's membership at bay, New Delhi joining forces with Canberra over the investigation into COVID-19 source is well-coordinated conscious cooperation against Beijing's recriminations and geo-economic coercions. Despite strengthening and institutionalising Indo-US cooperation through **Indo-Pacific Core Group consultations** during COVID-19 outbreak, India rebuffed **US' tougher language** against China and the WHO. It reiterates New Delhi's strategic autonomy, which should clear China's suspicions over India's support for the investigation. India aims to strengthen WHO capabilities to bolster preparedness and prevent future pandemics by identifying the origins of the outbreak and the nature of spread.

Besides, India need not prove its resolve to stand against China just to appease the like-minded Indo-Pacific partners, including the US. New Delhi holds an exceptional record of challenging Beijing when its core interests are threatened. India is the **first in the Indo-Pacific** to oppose President Xi Jinping's flagship Belt and Road Initiative over **sovereignty concerns**. New Delhi also **rejected** the Beijing-backed Regional Comprehensive Economic Partnership agreement. In both instances, the Indo-Pacific partners engaged with Beijing despite India's concerns.

Collective leadership for WHO reforms

India registered its regional leadership by initiating the **SAARC virtual summit** and projected global leadership as well by **emphasising** the need for a G-20 virtual summit to coordinate anti-COVID efforts. While diplomatic space for moderation has been shrinking, India has a greater responsibility to establish a conducive climate at WHO to build a global effort against the pandemic. Containing COVID-19 increases prospects to stabilise the global supply chains and rekindle the global economy. Such an attempt is reflected in Prime Minister Narendra Modi's **renewed engagement** with the Non-Aligned Movement (NAM) summit and **highlighting** "a new template of globalisation based on fairness, equality, and humanity".

In its chair position, India shall prioritise **WHO reforms** proposed by Modi to contain future pandemics. Besides, the WHO may also require **reforms**, such as improving coordination between headquarters and "uniquely independent" regional offices, and exercising legal authority by framing new regulations concerning global health. In addition to the composition of non-permanent members representing different regions, India should consider **restructuring WHO's Executive Body** with most populous members and large economies as permanent members. Such renewed composition empowers the body to continuously monitor the WHO reforms and share critical information in real-time.

The collective leadership of like-minded Indo-Pacific partners and NAM – a group of 120-member states spread across Asia, Africa and Latin America – complements Indian efforts to pursue aforementioned WHO reforms. The collective leadership also promotes a multipolar world order and deter an evolving China-centric regional order, especially when President Trump **terminated** the US' relationship with WHO.

The above-mention three-pronged approach is expected to help India establish conscious cooperation at the WHO to balance the US-China rivalry that possibly occupies the centre stage in all the future multilateral forums, including the WHA. Amid the G-2 rivalry, Indian leadership may identify a responsive space for cooperation that **promotes global solidarity and resilience**. New Delhi recognises cooperation with both the US and China as essential to reviving the global supply chains and international economy. India thus holds an opportunity at WHO to deliver responsible leadership in safeguarding lives and livelihoods for a shared future, further promoting New Delhi's leadership in post-COVID world order.

BY VEERESH KANDURI

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National Economic Security An Indian Perspective

A. National Economic security

National security is essentially understood in terms of the state of physical (i.e. defence related) security of the nation vis-à-vis the neighbouring countries with whom we share the borders; particularly the ones with whom we have inimical relationship largely due to territorial disputes.

However, in the modern global times, the national security also has an economic perspective, which is as important as the concept of physical security; particularly in view of global trade environment wherein a nation is also economically dependent on its trade partners.

A. I. Concept of National Economic security

In addition to the defence forces (including its weapons and other military hardware) that defines the physical capability of the national security, the economic situation of the nation has an important bearing on its national security.

An economically strong nation is in a position, not only to spend substantial part of the national financial resources towards constantly upgrading and maintaining its physical security, but also leverage its economic strength against other weaker nations, both allies and enemies- strengthening ties with the allies by helping them in their difficult times and threatening the enemies by exerting economic pressure to choke enemy nation economy.

The economic security of a nation could therefore be defined, as its ability to leverage its economic strength vis-à-vis its enemies to:

a. enhance its defence capabilities to exceed those of the enemies,

b. exert pressure on the economic situation of the enemy state, so as to make it suffer economic downturn/disruption, thereby causing deterioration of the living conditions in that nation causing social/civic disturbance.

The economic security of the nation depends on robust development of a combination of strategic, industrial, commercial, financial and social sectors.

A.I.1. Components of economic security

The components of the economic security include the following major aspects:

a. Economic resilience -Consistent and high economic growth with high GDP and high per capita income.

b. Economic stability – National debt- external and internal, Forex reserves, Central Bank's gold reserves, core inflation

c. Currency-position vis-à-vis reserve currencies, Current a/c surplus/deficit

d. International Trade- trade surplus/ deficit (particularly vis-à-vis the enemy states)

e. Research and development capabilities in the fields of science and technology with thrust on strategic areas of space and missile technology, defence technologies, biological and genetic sciences, etc.

f. Socio-economic factors- Population, economic distribution of population, unemployment levels, agricultural developments and agricultural production, education systems and standards, social security systems.

A strong economic security necessitates strong development broadly in all the different sectors of the economy as described in the para A I above; with a high degree of self-dependence in the key sectors that can be further classified as under:

Sector	Sub-Sectors
Strategic	Space technology capability- satellite build and launch, Missile technology capability Manned/unmanned surveillance systems including surveillance and communication satellites. Military logistics and infrastructure Energy security- power generation (particularly Renewable energy), oil exploration Development of encryption protocols for secure communication
Industrial	Manufacturing capabilities in the areas of Weapon systems, Defence equipment, Tanks, field guns, ammunition Shipbuilding -aircraft carriers, frigates, combat vessels, submarines, Aircrafts -Stealth, Fighters, bombers, cargo, etc.), unmanned air vehicles, Automobiles -speciality vehicles for all terrain movements, armoured vehicles, etc. Capital goods and heavy machinery, earth moving equipment, construction equipment Energy generation equipment Electronic equipment and components, Telecommunications and other related equipment, transmission equipment (routers, switches, cables, etc.) Speciality chemicals and pharmaceuticals
Commercial	International trade- high export capabilities particularly for ‘high tech high value’ products low imports- import substitution of major raw materials to reduce dependence on other countries for critical industrial and commercial inputs Domestic trade- high purchasing power of citizens leading to high demand for value added consumer goods, white goods, automobiles, etc.
Financial sector	Commercial Banking – robust banking system Tier I -Large commercial banks- for providing financial support for large and medium industries, financing large projects, export and domestic trade financing, cross border transactions, etc. Tier -II banks- for providing financial support for medium and small-scale industries, export and domestic trade financing for MSME sector, retail lending, etc. Small finance Banks- capable of providing financial support for agriculture, Micro/tiny/cottage/small-scale and industries, retail lending. Para Banking- strong NBFCs, HFCs, for supporting consumer lending Micro Finance institution for support to small and marginal farmers, self-help groups.
Social	**Agriculture**- adequate production capability for meeting 100% of domestic requirements of essential food grains, pulses, oilseeds, cotton to ensure zero dependence on imports **Healthcare**- a strong state provided healthcare system at affordable rates particularly for middle/low income groups **Education systems**- a strong state supported educational system providing affordable education to all classes of the society-the backbone of the human resources development that provides the citizens opportunity to improve social status and also enables achieve economic progress.

B. India's economic security

The state of Indian economic security needs t be evaluated on the basis of the parameters discussed in the preceding paragraphs under A. I. 1 above. A comparison with our neighbour China serves as an evaluation of the real economic strength.

B. I. Economic resilience- growth of the economy

The size of Indian economy is estimated to be about 3 trillion USD, as at the financial year ended March 2020 with per capita GDP of USD 2,200.00.

During the last 6 years, Indian economy grew at an average annual GDP growth rate of around 6.8%. While it was the fastest growing economy between 2014-2018 with the annual GDP growth rate between 7-8% during 2014-2018; the growth started declining from FY 2018-19 and in 2019-20, it was the decade low of 4.2%, with growth slowing to 3.4% during January -March 2020.

The year-wise trajectory of the growth is as under[1]:

FY	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Growth Rate	7.4	8.0	8.3	7.0	6.1	4.2

In comparison the size of Chinese economy is around 13.8 trillion USD at the end of 2019 with per capita GDP of 9,800.00. The Chinese GDP has also grown at an average annual growth rate of 6.8% during 2014-2019; though the growth rate has dropped from the high of 7.3%in 2014 to 6.2% in 2019.

In 1987, nominal GDP of India and China was almost equal. But in 2019, China's GDP is 4.78 times greater than India. China crossed $1 trillion mark in 1998 while India crossed it 9 year later in 2007 (at exchange rate then prevailing).[2]

India was richer than China in 1990 whereas in 2019, China is almost 4.6 times richer than India in nominal GDP. Rank of China and India based on Per capita GDP is 72th and 145th, respectively.

The above data clearly reveals the superior economic resilience of the Chinese economy vis-a-vis that of India.

In order that India is able to achieve a meaningful economic resilience, the economy will have to grow at an average annual rate of 10-12% for the next 15 years.

B. II. Economic Stability

The economic stability is measured by the total national (sovereign) debt, sovereign debt as a %ge of GDP, composition of the debt-external and internal, forex reserves, Central Bank's gold reserves and core inflation.

B. II. 1. National Debt

A high national debt in relation to the GDP denotes a weakness whereas low national debt indicates strong economic stability. A high debt indicates that a larger part of GDP may have to be spent on servicing the interest and repayment of the loans.

Further, the purpose of raising debt is an important aspect of the national debt. Debt, if raised for investment in infrastructure and social sectors helps in the national progress; whereas debt raised to meet revenue deficit has a negative impact on the national economy.

A high national debt also does not augur well for the sovereign rating, a lower rating makes it difficult for a nation to raise funds at reasonable cost, particularly external debt.

In Indian context, the debt is raised largely to support revenue outlay for the so called 'welfare measures' provided as social benefits to the low-income segments of the society and is therefore, undesirable in the long run.

In order that the sovereign does not have to raise debt to meet revenue expenditure, it must have a high ratio of 'tax to GDP'; a tax net cast far and wide that ensures efficient tax collection mechanism. A high tax rate requiring the few affluent to pay more taxes may be politically correct, but it invariably leads to an economic disaster on account of wide scale tax evasion. The tax regime needs to be progressive with minimal concessions; providing a clear, consistent and transparent statutory and regulatory framework.

A high level of external debt is undesirable for economic security, unless the currency risk that towards the foreign currency denominated external debt. The extent of exports earnings of the nation provides a natural hedge against the possible currency risk. A nation must therefore aspire for higher exports earnings to effectively balance its external debt.

As at March 2020, the gross national debt of India stood at about USD 2.2 trillion[3], about 70% of the GDP. This can be considered as reasonable in comparison with some of the developed countries, where the debt exceeds GDP. With the implementation of 'Fiscal responsibility and budget management-FRBM' framework, the fiscal deficit in a financial year is expected to be within 3-3.5% of the GDP; except under unprecedented economic disaster. This control results in avoidance of financial profligacy to raise debt for undesirable expenditure.

Post the COVID pandemic, some of the economists have suggested invoking the exception clause under FRBM framework and raise fiscal deficit by announcing a fiscal stimulus; some have also suggested monetisation of the consequent incremental fiscal deficit.

B. II. 1. a. External and Internal debt

India's external debt as at March 2020 is estimated to be about 564 Billion USD[4], about 25% of the total debt and about 19% of the GDP. It thus constitutes less than one third of the national debt. The external debt is at manageable levels considering the extent thereof and the forex reserves held by RBI.

A higher proportion of the internal debt as compared to external debt of the nation is a favourable situation. India is known to be a 'saving' economy as opposed to a 'spending' economy, where citizens with moderately high earning capacity (largely the middle class) are conservative in spending and tend to save more; to that extent India is not a 'demand' driven economy. A major part of the savings flow in deposits with banks sovereign bonds and in quasi government savings schemes. A third of the deposits in the banking system flows into government bonds, by way of investments as 'statutory liquidity ratio' prescribed under the Banking Regulation act.

The capacity of the Indian government to raise foreign currency borrowings in view of the recent downgrade[5] of the sovereign rating to BBB-/Baa3, only one notch above the 'junk' rating.

B. II. 1. b. Forex reserves

A nation must maintain a reasonable level of foreign exchange reserves to adequately cover its import liabilities. In developed countries that provide for a full capital account convertibility (CAC) for free movement of the currencies in and out, high level of such reserves is justified to absorb the outflow vis-à-vis inflow. As a general rule, the reserves in a country that does not permit full CAC is required to [6]maintain reserves to cover 6-9 months of imports and other foreign currency obligations.

It must be remembered that a major part of such reserves carry a very low or almost zero yield. It is therefore necessary that a balance is struck in maintaining such reserves

India's forex reserves as at 31st March 2020[7] stand at about USD 475 billion, providing a 100% cover for one year's import into the country. The reserves have increased during the year due to capital inflow through FDI, investments by FIIs/FPIs, etc. RBI actively purchased US dollars during the year from the market so as to avoid an undesirable appreciation of INR vis-à-vis USD that could impair competitiveness of Indian exports.

India does not have a fully floated currency by way of total capital account convertibility; as a result, the currency is insulated from a shock of 'flight' of capital overseas. Consequently, the reserves may appear to be higher than expected. However, considering that Indian imports largely consist of crude oil, prices whereof can sharply rise suddenly due to OPEC actions. Hence the current reserves can be deemed to put India in a very comfortable position on this count.

Full capital account convertibility has worked well by attracting investments, in well-regulated nations that have a robust infrastructure in place. India's basic challenges—a high dependence on imports, burgeoning population, socio-economic complexities, and challenges of bureaucracy—may lead to economic setbacks post-full rupee convertibility at present stage. In order that CAC is allowed in India, foreign investments through FDI route needs to be opened up on a larger scale. FII and FPI flows into financial market, considered 'hot money' which can be withdrawn at will causing mayhem in financial markets as has been witnessed many times in not so distant past.

B. II. 1. b. i. Gold Reserves

Gold is considered as the 'ultimate currency' and it provides a cushion against any depreciation of the currency due to unforeseen economic events. The central bank's gold holding can be used effectively to stabilise the currency, in exigent times.

The gold reserves forming part of the total forex reserves are valued at about 31 billion USD. Though the reserves can be perceived to be adequate, in a country that imports large quantities of gold largely for ceremonial and religious purposes, it is possible to buttress the reserves through regulatory subscription of gold bonds by the public trusts managing religious places of worship. This added stock can be leveraged to raise foreign exchange denominated external debt at competitive rate of interest against this gold as collateral.

BY SANTOSH NADKARNI

Post – Coronavirus "new normal" – Restructuring the Global Economic Order

It is increasingly clear that our world will be re-defined by Covid-19 pandemic effects on our health-risks, our society and its cohesive-ness and the dramatic restructuring of the economic rules by which businesses have operated traditionally. The burning question; across the globe, regardless of economic prosperity or poverty is – what will be required of nations and their people to overcome this crisis that has rendered traditional assumptions irrelevant?

In the western world, management and consulting companies like McKinsey are calling for a 5-stage approach of: *Resolve, Resilience, Return, Re-imagination and Reform* **here**; various countries are using this methodology or its variation to re-ignite their economy and social confidence on a priority. The issues faced by various countries are different and based on their demography, financial systems, and social rights of individuals.

The study of the fight to survive in the USA is one extreme example where its citizens are more focused on their constitutionally granted rights-to-freedom than their exposure to the pandemic and its almost fatal health-risks, while on the other end of this spectrum China has a complete lockdown on all information about the effects of the pandemic on its vast population. As their Covid-19 infection numbers mounted, so did the extent and intensity of the censorship of information from public sources.

The first majorly affected country (apart from China where the Corona virus originated) was **Italy**. As of 22th May 2020 – Italy had 2,28,006 cases of Covid-19 infections; 32,486 deaths and 1,34,560 cases of recovery from the viral infection. The pandemic has had a devastating impact on the Italian economy as industrial output fell significantly. Italy's small and medium enterprises (SMEs) sector has a considerable percentage of manufacturing companies that contribute approximately one-third of value to the economy and half of total employment in the country. As Italy's economic structure is heavily dependent on SMEs, the spread of coronavirus has significantly affected the economy of Italy. SMEs rely on loans and finances to meet their business requirements. Due to the vulnerabilities facing by the Italian financial sector amid Covid-19, SMEs operations are negatively affected, leading to a significant decline of the Italian economy.

To stop the spread of the virus, Italy had to go in a lockdown in mid-April thereby affecting the production schedules of major manufacturing companies, especially in the automobile sector. While most auto manufacturers closed their production lines, many shifted their focus to manufacture ventilators required by medical staff to fight the pandemic and others shifted to producing personal protective equipment [PPE] and hospital equipment, using skeletal staff for these purposes.

On the financial side; Italian banks focused on Bitcoin trading platforms to buy and sell Bitcoin. [Bitcoin is a digital crypto-currency without a central bank or official administrator that can be sent / traded on a peer-to-peer bitcoin network without using intermediaries. Details **here** for more knowledge on crypto-currency]. For example, the Italian bank Banca Sella SpA was one of the first to introduce Bitcoin trading services using its HYPE mobile banking platform. This allows its customers total control over their funds without any interference from governmental authority and allows them the freedom to pay for products and services using crypto-currency. The bank here charges interest and service fees while allowing Bitcoin users a safe way to transfer money, locally and globally.

Being a part of the European Union [EU] the social and economic problems created by the Covid-19 pandemic were not stand-alone and had a ripple effect in other parts of Europe. While the pandemic spread throughout the world almost on a parallel basis, affecting populations across the world; on a regional basis, the upheaval across borders had a 'displacement effect' that had a negative effect on trade, industry and commerce, leading to an economic slowdown that is turning into an financial recession.

Whether this recession can be stopped from turning into a depression will depend on pro-active financial policies by individual governments that will have to be strengthened by cooperative and mutually beneficial economic policies between Nations. [To know more about recession v/s depression do read **this** article].

In Europe, the impact of the pandemic is different in individual countries where some are more affected by others. Regardless of the severity of the impact, the pandemic needs to be dealt with on a top priority basis because EU nations are tightly integrated socially and economically. A common uniform response is required by the member countries to combat the common problem that has shocked their economic systems, especially in the area of health-care. The required response is complicated because the EU does not have a common fiscal authority and each government has its own response, which poses a problem for acting in a coordinated and uniform manner.

Considering the value chain of the EU – the manner in which industries produce goods and transport them across markets, the countries therein are far more integrated than assumed otherwise. When one EU country is severely affected, the problems transfer very quickly to all others. If one uses the example of the drastic destruction of the Italian economy, the ripple effects will be felt as lack of Italian products affect markets in other countries. The consequences of the corona pandemic shock are likely to be different. As the effect becomes more widespread, it's possible that it may give a stronger push towards the economic and political integration of the EU.

One major reality shock to European countries was the failure of its health system. Earlier, there was a general sense that the European medical care system was superior and more robust in comparison to similar systems in Asia. By under-estimating the contagious nature of COVID-19 and its implications on the higher number of elderly citizens, they found out the hard way that their health system which was organized to address conventional health needs was poorly placed to deal with a pandemic. European countries did not understand quickly enough that this virus was an unconventional threat that could not be dealt with by conventional processes. The general lesson for EU was that – 'if one uses conventional responses to unconventional events like COVID-19 pandemic, one is very likely to fail'. Ironically, they were the victims of their own successful health system, which rather than help contain the virus, ended up in spreading it.

The United States of America [USA] with 15,73,042 infected; 93,652 deaths and 3,61,246 patients in various stages of recovery has been seen as the new epicenter of the Covid-19 pandemic. But, as US officials are rushing to contain the spread of this virus, their federal government is grappling with the unprecedented toll on the economy. 36 million Americans have filed for unemployment benefits by mid-May 2020; as pandemic led closures have devastated industries and the timeline to re-open businesses remain uncertain. Large scale layoffs have become a daily occurrence, and many Americans feel that this may be just the tip of the iceberg. Technical malfunctions have prevented millions of people from receiving their **stimulus package** from the US Treasury, while the **SBA** (Small Business Administration) which supports American entrepreneurs with loans and business funding has run out of money for its (**PPA**) Paycheck Protection Program. The U.S. started very strongly with a "preemptive strike"-style intervention, announcing a rate cut outside of the usual standard monthly meeting. For bankers, words often matter more than the actual available funds and the real focus is not about the money that the Federal Reserve would release, but about how credible it can be to function as an anchor against financial uncertainty.

The Covid-19 pandemic is a supply–shock event. Before this, everything was functioning as normal. But as the pandemic intensified, bringing thousands upon thousands of professionals into hospitals and clinics; it lead to the shutdown of the economy. The sudden contraction of labor supply and the resulting loss of confidence lead to a demand – shock; an indirect effect due to the contraction in the production of goods or delivery of services. The US Treasury department is estimating that unemployment could reach 20%. The consequences of unemployment will be long-term, with negative effect on income, health, skill-set and educational imbalance.

Across the border in the North, **Canada's** economy was already spiraling into recession in early May 2020, as the country recorded its unprecedented drop in GDP with a 2.6% fall. It has been reported by **Statistics Canada** that Canada's GDP took a 9% hit in March, as the impact of the Corona pandemic resulted in several sectors of the economy being shut down, resulting in a 5.3% drop in employment in that nation.

This announcement came as the country recorded 80,142 cases; 6,031 death and 40,776 cases of recovery as of 21 May 2020. Already, over seven million Canadians (approximately a fifth of the population) have availed of an emergency fund established by the Canadian Govt. to counter the adverse economic impact of the pandemic. The **Parliamentary Budget Officer** has estimated that about 8.5 million people would be using the **Canada Emergency Response Benefit** which is scheduled to last till June 2020. The subsidy program introduced to support industry in retaining employees is expected to push the budget deficit to over Canadian $ 250 Billion.

South of the border, with 56,594 cases of infection; 6,514 death and 38,876 recovered cases; **Mexico** had declared a national health emergency on 30 March. Since that day, all non-essential activities were suspended and social distancing actions were reinforced. Inevitably, this put a halt to most economic activities. The IPC **Mexican Stock Exchange** Index has suffered a 20% loss in value since February 2020. Since the pandemic, Mexico's forecasted GDP for 2020 fell by almost 3 percentage points in comparison to 2019 estimates.

The restrictions enforced by the government to control the spread of the virus have had a direct impact on Mexicans' everyday life. A significant part of the labor force has now adopted home office practices, which was not so common in the country in previous years. With more time to spend at home, an increased demand for news in social media has been detected. Consumer behavior among Mexicans has been affected as well, with an increase in sales of personal care products such as antibacterial gel, soap, and toilet paper. Visits to shopping malls and stores have sharply decreased and most people with plans to travel in Easter have put their holiday trips on halt.

President Andres Obrador announced economic and fiscal remedies to the Corona virus pandemic, but it was seen as largely disappointing; with a rescue package for Pemex Oil Company, some aid for financially unviable infrastructure projects and cash handout's to the poorest. Capital is flowing out of the country, the Peso is constantly being devalued and investment is slowing down. Most experts agree that Mexico is not in a position to fight the pandemic. Medical infrastructure is rudimentary, medicines are in short supply, and insurance arrangements for the people have either been disbanded or are being mismanaged. The government has drastically cut spending on health care, to less than 3% of GDP. Key indicators point to a dramatic drop in economy. The car manufacturing sector which contributes to about 4% GDP has suspended production. Tourism, which accounts for 8.7% of GDP has been curtailed. Remittances from USA have been a major source of strength for the Mexican economy, as approximately 1.7 million households depend on the US$ 36 billion flow of incoming cash as recorded in 2019. However, due to the contraction of the US economy, remittances are expected to drop by 17% in 2020. While many countries are injecting money in their markets (on average, 20% of their GDP), Mexico refuses to do so. The outlook for Mexico's economy is bleak for the coming months. Unemployment rate reached 3.7% in February and is expected to rise dramatically. The Peso exchange rate against the US dollar has depreciated 25%; as a consequence Mexico's credit ratings have deteriorated, driving away investments and making future borrowings expensive.

With 5,20,964 cases of infection, 26,645 deaths, and 1,93,751 recovered; Covid-19 is set to cause the biggest ever economic contraction in **Latin America & Caribbean.**

The COVID-19 pandemic will herald the worst economic contraction in the history of Latin American and the Caribbean, with a projected -5.3 per cent drop in activity this year, according to a report by the UN office for the region, **ECLAC**, published recently. The effects of Covid-19 will cause the biggest recession that the region has suffered since 1914 and the Great Depression in 1930, when there was a -5.0% drop in growth.

Prior to the pandemic, the region had reported nearly seven years of low growth, averaging less than 0.5 per cent. The impacts of Covid-19 include a reduction in international trade, falling commodity prices, lower demand for tourism services and a drop in remittances, sent home from workers abroad.

The report projects that South America will contract -5.2 per cent because several countries will be affected by lower activity by consumers in China, an important market for exports. Central American countries will experience a -2.3 per cent decline due to reduced economic activity in the United States, which is both a main trading partner and remittance source. Meanwhile, the Caribbean will see a -1.5 per cent drop brought on by decreased demand for tourism services.

Unemployment is forecast to reach roughly 11.5 per cent, up from 8.1 per cent last year. This means the number of people out of a job would rise to nearly 38 million.

Small and medium-sized enterprises (SMEs) provide more than 50 per cent of jobs in formal employment, thus increasing the "negative impact" on a sector already battered by the crisis. ECLAC added that "gender inequality will accentuate with measures such as school closures, social isolation and greater numbers of people who are ailing, since the burden of unpaid work borne by women will increase."

Unemployment and the decline in economic activity will also have a knock-on effect on household incomes and the ability to meet basic needs. The report anticipates that the poverty rate will rise by nearly 4.5 percentage points this year, meaning nearly 30 million more people across the region will find themselves in "situations of poverty". An additional 16 million will join the ranks of the extreme poor.

With 2,48,293 infected cases and 35,704 death; a national lockdown was declared in March 2020, in an attempt to limit the spread of Covid-19; it's clear that the **UK** is headed for the deepest recession known for a long time, and the British government debt is expected to reach the highest level since World War II. The economy shrank by 2% in the first quarter of 2020 and corona virus forced the UK into lockdown and economists expect an even bigger slump in the current quarter. Chancellor Rishi Sunak has said that, *"It is now very likely that the UK economy will face a significant recession this year, and we're already in the middle of that as we speak."*

The Office for National Statistics (**ONS**) said there had been "widespread" declines across the services, manufacturing and construction sectors. This includes a record 1.9% fall in services output, which includes retailers, travel agents and hotels. Household spending shrank at the fastest pace in more than 11 years as restaurants and high street shops remained shut.

The **Bank of England** has warned that the UK economy is heading towards its sharpest recession on record. The coronavirus impact would see the economy shrink 14% this year, based on the lockdown being relaxed in June. Scenarios drawn up by the Bank to illustrate the economic impact said Covid-19 was "dramatically reducing jobs and incomes in the UK". Bank governor Andrew Bailey has described the downturn as "unprecedented", and said consumers would remain cautious even when lockdown restrictions are lifted. Not all of the economic activity is expected to come back immediately. People are not expected to re-engage fully, and so it's expected that it will be the next summer that activity comes back fully.

It is however expected by analysts that the UK will suffer a double digit drop in GDP in the coming quarter, with the economy likely to suffer its sharpest recession on record this year, even as the lockdown is expected to be completely removed by October 2020. While the economy could shrink by 14% in 2020, it is expected that the downturn will be short and a growth of 15% is predicted for 2021. The Bank of England expects the UK to rebound quickly, returning to its pre-crisis size within two years. However, a cautious estimate is that UK-wide economic activity may be roughly 30% lower while the current social distancing measures are in place. The UK's own experience of recessions suggest that not only is lost output during the typical recession not recovered, but growth rates after those recessions are generally depressed for a number of years after.

Both international and UK experience therefore suggests that a V-shaped recovery is unlikely and that the contraction in GDP in 2020 will have persistent effects. Deteriorating human capital for unemployed workers, loss of labor market connections, damaged firm and household balance sheets, potentially higher demand for precautionary saving post-crisis, and weaker global trade and investment links are all likely to weigh on future growth.

With 57 countries of the **African continent** area have 1,10,000 plus COVID infections; 3,033 officially reported deaths & 39,541 recoveries; but the numbers of confirmed cases is growing fast. With quarantine in place to stop the spread of the pandemic, it is feared that two-thirds of the people would go hungry is they are in quarantine for two more weeks. The lowest-income households expected to run out of food and money in less than a week. In Nigeria and Kenya, social media users have admitted that hunger has forced them to violate stay-at-home orders in order to search for food.

Early, decisive action taken by many African governments may have slowed transmission. While it is difficult to measure the precise impact of any single intervention, African Union (AU) member states have yet to document the spiraling caseloads seen in parts of the United States and Europe. The relative youth of the African population may be another advantage. Current data suggest older people infected with Covid-19 are at significantly greater risk of severe illness. In sub-Saharan Africa only 3% of the population are 65 years or older, and 43% are less than 15 years old. However, that healthcare systems in many African countries are ill prepared for a pandemic, with low numbers of healthcare workers and little capacity for providing critical care to the severely ill.

Covid-19 is expected to have a severe economic impact on sub-Saharan Africa. In April the IMF forecast a recession of 1.8% across the region as a whole. The actual economic impact will depend on the duration and extent of the outbreak, not only in Africa but also among its trade-partner countries. Economies that have relied on single export industries will be affected the maximum. The island nations of Seychelles, Mauritius, Cabo Verde, and São Tomé and Príncipe are expected to experience contractions in GDP of between 4.0% and 10.8% – an average drop of 10.8 percentage points from their pre-COVID forecasts – as a result of the effective freeze on global tourism. The region’s oil exporters – Angola, Cameroon, Chad, Congo (Brazzaville), Equatorial Guinea, Gabon, Nigeria and South Sudan – will be hard hit by the fall in oil prices that are caused, in large part, by the demand disruption caused by Covid-19. The mining economies of southern Africa will also struggle. The economies of Congo (DRC), Botswana, Zambia and Zimbabwe all rely on primary mineral products for more than 60% of export revenues and all are forecast to contract by more than 2%.

West Africa, Senegal, Guinea and Côte d’Ivoire are all projected to see GDP growth of more than 2.7% in 2020. In East Africa, Rwanda, Ethiopia and Uganda are forecast to grow at above 3.2%. While these figures represent a drop of 3.8% from earlier growth forecasts; they are significantly less than the 5.2% point drop for sub-Saharan Africa and the 8% point drop for the world’s advanced economies.

The common denominator for these countries is the growth model based on domestic consumption; vibrant and healthy private sectors and robust agricultural sectors. While the first two factors enable their economies to flourish despite the disruptions to global supply chains; the agricultural sectors which are considered as essential service is less affected by social distancing norms or governmental lockdown restrictions.

To mitigate the economic impact, central banks across the continent have adopted aggressive monetary policies to boost liquidity in their economies; substantially increasing the funds available to commercial banks and introducing debt-repayment flexibilities. However, despite a rise in financial inclusion in the continent, large part of many economies have a limited exposure to formal financial services and therefore many small businesses and customers can expect only a limited amount of benefits from the central bank policies.

As of mid-April the **IMF** and **World Bank** announced that official creditors had mobilized US$ 57 Billion to assist Africa in coping with the pandemic and have suggested that private creditors would assist with US$ 13 Billion. The IMF has provided debt relief to 19 countries in sub-Saharan Africa that effectively cancels six months of IMF debt payments owed by these countries so that they can divert financial resources to tackling Covid-19. Further, the **G20 Forum** has agreed to a one-year suspension of debt repayments from the poorest countries.

However, the complexity of Africa's debt profile is expected to undermine the effectiveness of these measures. Africa has extensive debts held by a range of creditors from emerging markets to commercial institutions. Creditors are expressing misgivings about blanket debt moratoriums. China, which is the largest single creditor to sub-Saharan Africa is stressing the need for debts to be restructured on a case-by-case basis. Such restructurings demand time and resources that are currently in limited supply and are likely to still count as default events with consequences for credit ratings and future borrowing ability.

Sub-Saharan **Africa's** recovery from Covid-19 will be slow and uncertain. The IMF may be forecasting growth in 22 of the region's 49 economies in 2020, but this growth is low, especially on a per capita basis. However, the uncertainty around these forecasts means that the pandemic may well drive some long-term changes that open new opportunities for investors. There will be a renewed focus on encouraging in-country manufacturing and agriculture. The disruption to global supply chains and the impact of depreciating currencies on import costs have re-emphasized the importance of building domestic capacity.

The Covid-19 outbreak has also highlighted the importance of telecommunications, already a sector seeing rapid growth in sub-Saharan Africa. Central banks have sought to encourage mobile money and other digital payment systems as a means of facilitating commerce while maintaining social distancing. The innovation that has been displayed will continue to create opportunities long after the pandemic that prompted it is over.

With over 2,24,071 cases of Covid-19 infections and approximately 8378 deaths reported across the 22 countries of the **MENA** region; the responses of various governments to this pandemic has been proactive to dull. Some, like the **UAE** have been ahead of the curve, taking pre-emptive measures to minimize infections; while others like Iran and Turkey have delayed their response in an inadequate, fragmented manner, leading to them becoming epicenters for the spread of the coronavirus.

Yemen and **Libya**, ravaged by war and internal strife have no capacity whatsoever to control the virus. Neither of these countries have governments that control their respective countries, to enable necessary steps to be undertaken to curb the infection. With massive scales of infection across the region and thousands succumbing to the pandemic; Covid-19 will showcase government failures, increase the already high levels of sectarianism, tensions between Islamists and secularists and deepen the economic chasm within states and between nations. MENA region will undergo a massive change during this pandemic.

UAE and **Saudi Arabia** reacted pre-emptively and have contributed to flattening the curve of infections in their countries. The United Arab Emirates, for instance, began implementing social distancing measures whilst the virus was still at its infancy. Saudi Arabia adopted an aggressive approach towards the virus, including a curfew from dusk to dawn, while also adopting other radical steps like preventing religious pilgrimage to two of Islam's holiest places – Mecca and Medina.

Iran's belated response and initial denials have transformed it into the epicenter of the Covid-19 pandemic in the Middle East with tens of thousands of infections. The first reported Covid-19 deaths in the MENA region occurred in the Iranian holy city of Qom. Despite this knowledge, Tehran decided to proceed with the 21 February 2020 parliamentary elections; resulting in the infestation of most of the provinces of Iran. The denial mode of the Iranian government and its refusal to impose a country-wide lockdown in February 2020 allowed the coronavirus to spread to Afghanistan, Bahrain, Kuwait, Lebanon and India.

Turkey, by early April 2020, had the highest acceleration of Covid-19 cases in the region, largely on account of its mismanaged health system. When the virus first appeared on Turkish soil, social mobility was not prevented and testing was confined to only those who had travelled abroad. Its densely populated cities are most vulnerable. Sixty percent of all Covid-19 cases were located in its commercial capital Istanbul, which accounts for 20 percent of Turkey's total population. The pandemic also highlighted the failures of Turkey's health system – from the lack of organization to the shortage of equipment, beds, and health workers.

Apart from the human costs, the impact would be felt most on the economic front as capital markets tumble, tourism industry grinds to a halt due to ban on flights and city lockdowns, and oil prices tumble. With the UAE possibly cancelling its Expo 2020 and Saudi Arabia not allowing the annual haj pilgrimage to take place, hundreds of millions of dollars were lost for both states. The UAE was expected to attract 25 million visitors to its Expo 2020 event which was to be held in October 2020, and Saudi Arabia received 20 million religious pilgrims each year. Egypt, meanwhile, is losing an estimated US$1 billion per month in lost tourist revenue.

It is perhaps in tumbling oil prices where the greatest economic impact will be felt. Oil is the core export for most Gulf Cooperation Council (GCC) states. Even before the pandemic, the price of a barrel of oil was on its way down, largely as a consequence of U.S. shale oil production and alternative renewable energy resources coming on line. The impact of the pandemic will further depress oil price as demand dries up. By March 2020, the price of a barrel of crude oil was US$31.35. Consider that in January of this year the price of the same barrel was an estimated US$60. While oil prices are expected to stage a moderate come-back and trade at US$40 per barrel by December 2020, this is far below the break-even point for the oil producers of the MENA region.

This is already having political consequences with most Arabic countries imposing taxes on their population to sustain the State. With the oil-income based free benefits to the citizens becoming a matter of the past, the already fragile polities across the GCC and its elite ruling families will have to adjust to an open and possibly democratic political processes.

The six countries of the Oceania region have 8,690 cases of Covid-19 infection, 121 deaths and 8,025 recoveries to date. Australia and New Zealand have a case-fatality rate of just over 1%, compared to 6% in USA and 13.5% in UK. Neither nation currently has community transmission of the coronavirus. Australia has 6,900 infected people with 97 dead; while New Zealand had 1,100 cases with 21 reported deaths to this virus. Australia's treasury forecasts restrictions would cause unemployment to double to 10% and the economy to shrink 10% in the second quarter; while New Zealand's unemployment will increase to 11% and the GDP will be 8%-10% lower this year.

Australia has inherent advantages. If a country were to be designed to withstand a viral pandemic such as Covid-19, it would look very much like Australia: geographically distant, a large island nation with borders than can be locked down, inhabited by a comparatively small population that lives, mostly in low-density cities.

Australia is wealthy, with a highly developed public health system, and a government sufficiently solvent to be able to turn on the tap of public monies to get its population through the months of lockdown. Legislation for AU$130bn in wage subsidies for those who have lost jobs because of the pandemic was passed by parliament this week, on top of AU$84bn in economic stimulus promised earlier.

Amid fears of a global recession, **New Zealand** officials fear almost every sector to be seriously hit, certainly tourism, hospitality and aviation/transport. To off-set the negative impact of the pandemic, an elaborate **economic response package** of tax facilitation, wage subsidies and income support has been implemented. With food production and exports picking up pace, and commencement of construction and infrastructure works the drive for an economic bounce-back has started around the country.

The New Zealand government, which is scheduled hold elections in September, aims to save 140,000 jobs over the next two years and create 370,000 new ones by 2024, while reducing unemployment from an expected peak of 9.6% by June 2020 to the current 4.2% within two years. The government estimates that the budget deficit will be an average of 9.3% of GDP, equivalent to NZ$28 billion, until 2022, with deficit reduced to 1.3% of GDP, or NZ$4.9 billion by June 2024.

China claims that it has 82,967 infected cases resulting in 4,634 deaths and 78,249 patients recovered from the coronavirus infection. These numbers are being disputed by researchers in Hong Kong and Taiwan who claim that China is under-reporting the infections and casualties of Covid-19 pandemic. While the numbers are in dispute, there is no doubt that the virus originated in Wuhan region of China and given the size of China's economy, a slowdown there from the Covid-19 outbreak will spill over to the rest of the **ASEAN+3** region.

The most immediate impact on the region has been the disruption to travel, tourism and related industries. Flight suspensions, travel advisories, restrictions and bans on visitors from China, China's order to stop outbound travel groups and a more cautious approach to travel owing to fear of contagion have all led to a sharp drop in tourism in the region — both Chinese tourists as well as those from other countries. Tourism's contribution to economies of the region has increased almost everywhere since the early 2000s. In 2018, the tourism industry is estimated to have contributed more than 30 per cent of Cambodia's GDP, and more than 20 per cent for Thailand and the Philippines. A drop in visitor arrivals from China and other countries is damaging for the ASEAN+3 region, especially for those countries with large tourism sectors and high volumes of Chinese visitors.

The epidemic is also affecting trade within the **ASEAN+3** region. The manufacturing sector has been disrupted and domestic demand in surrounding countries is taking a hit. Many regional economies, such as **Singapore** and **Vietnam**, are deeply integrated within regional and global supply chains and China is an important link in these networks. Notably, trade between China and the ASEAN region has grown strongly over the last two decades, so any disruption in China will impact regional trade and production. Still, these disruptions are expected to be transitory — trade is expected to rebound in line with China's demand for intermediate and final goods once the epidemic recedes.

In **China**, several weeks of government-imposed lockdowns on dozens of cities led to steep declines in factory output, retail sales, construction, and other economic activity. Overall, gross domestic product (GDP) dipped almost 7 percent in the first quarter, China's first economic contraction in more than forty years. So far, China's central bank has taken relatively modest actions, reducing reserve requirements for banks, which will allow them to loan an additional US$80 billion to struggling businesses, and indicating that it will cut interest rates in the months ahead.

The one sector in China that is booming is Telecom and I.T. technology. It is well-known that China is ahead in the "race to 5G", which is all about "digital" and "remote". During this pandemic, China has pulled further ahead. Online teaching and conferencing have boomed. Delivery of goods rather than visiting shops has continued its transition to the mainstream. The Chinese economy has taken another step towards modernization. A lot of the companies that have benefited from that shift will presumably be flush with cash, and keen to invest it overseas going forwards considering the knowledge and technology they have already accumulated in China.

With 16,385 infections of Coronavirus, 771 deaths and 12,286 recoveries; 63% of companies in **Japan** are projecting that Covid-19 will have a negative impact on their business performance. According to the Japanese trade ministry, 99.7% of all businesses in Japan are small or medium-sized. These companies employ around 70% of the working population and account for a large portion of economic output. They are the cornerstone of the service sector and play a critical role in the manufacturing and export supply chain, but they are also the ones bearing the brunt of the virus-induced quarantines and business closures amid a nationwide state of emergency.

In an ominous sign of what may lie ahead, the number of bankruptcies has been steadily creeping higher. As of April 24, 93 firms are believed to have gone belly up due to the pandemic, according to Teikoku Data Bank. The overall economic impact of the pandemic is difficult to assess at this point, but economists forecast a deep recession ahead. To ease the widespread damage, Prime Minister Shinzo Abe plans to roll out a multipronged economic stimulus worth ¥117.1 trillion (approx. US$ 990 billion)— by far the largest in modern Japanese history. The package which is equivalent to 20% of the country's GDP, will feature universal cash handouts of ¥100,000 per individual. Meanwhile, businesses feeling financial strain are eligible to seek out interest-free loans from public and private lenders.

With 3,17,554 coronavirus cases; 3,099 deaths and 92,681 patients recovered, **Russia** is looking at a drop in GDP of more than 8%. Russia's dependency on oil will contribute to this economic downturn. While Russia manages its macro-economy quite well, its fiscal reserves are limited and the recent massive fall in oil prices has not been matched by a similar decline in the ruble exchange rate, which can mean potential problems for the budget. As of April 2020, Russian GDP has fallen 28%.

Fortunately, the corona virus death toll in Russia so far is relatively modest compared with many other countries, but the economy is most certainly heading for very difficult times. This is due to the fact that the Russian economy is too dependent on the developments of international oil prices.

The Russian government now has plenty of experience in dealing with crises. The first lesson after the crisis at the end of the 1990s was to have enough fiscal resources to deal with a crisis without having to go to the IMF. The second lesson came in the global financial crisis when the fixed exchange rate had to be abandoned to avoid depleting the central bank's international reserves. A prudent fiscal policy backed by the **National Wealth Fund** and a flexible exchange rate is still the backbone of the macroeconomic policies that can help mitigate the impact of lower oil prices.

With a collective 27,093 infected from Covid-19; 321 officially reported deaths and 13,695 recovered from the virus; the **Central Asian and Caucasus region** countries of Georgia, Armenia, Azerbaijan, Kazakhstan, Kyrgyzstan, Mongolia, Tajikistan, Turkmenistan, and Uzbekistan; which comprise the 'Belt and Road' initiative are unlikely to suffer long-term damages to their economies.

Georgia will narrowly avoid a recession this year, with GDP growth at 0.1% for 2020, down from an earlier forecast of 5%. The closing down of Georgia's increasingly important tourism industry will have one of the largest and most significant impacts on its economy. The Georgian lari has lost around 15% of its value since the start of the global coronavirus pandemic.

Armenia is likely to tip into a recession in 2020. Their Central Bank had earlier said that GDP growth would be 0.7% this year, down on the previously predicted 7.6%. It has also said that the government current account deficit will grow to 5% of GDP from 1%. The IMF agreed to lend Armenia an additional US$175 million to help it deal with the impact of the coronavirus, with the extra cash arriving with the US$105 million previously made available to Armenia for meeting various economic reform criteria. The EU will give €92 million to Armenia to help it deal with the coronavirus, however this includes a previous €51 million package announced earlier.

Azerbaijan's GDP will rise by just 0.2% this year, compared to an earlier prediction of 2.3%; and the economy will shrink by 2.2% this year. Its government announced that it has set aside US$1.7 billion to help the economy deal with the impact of the coronavirus pandemic. It also said that it had allocated US$252 million to deal with the social implications of the coronavirus and the lockdown.

Kazakhstan officials have said that previous economic growth predictions of 5% have been slashed to below zero because of the combined effect of the coronavirus and a collapse in oil prices. The Kazakh tenge has lost around 15% of its value since the beginning of March because of the spread of the coronavirus and the deflation in oil prices. Their Central Bank has said that it has spent US$2.3 billion propping up its currency. The World Bank said that the Kazakh economy will shrink by 0.8% this year, wiping out a previous forecast of 5%.

Kyrgyzstan was the first to ask the IMF for financial help in fighting the impact of the coronavirus. The IMF on March 27 approved a $127m grant. The Kyrgyz som has lost around 15% of its value. The currency is expected to lose more its value because of an impending recession in Russia linked to the coronavirus and a collapse in oil prices that will push Russian into a recession. Kyrgyzstan, like its neighbor Tajikistan, is reliant on remittance flows from its workforce in Russia to prop up its economy. The World Bank has slashed its economic growth rate for Kyrgyzstan for 2020 to 0.4% from a previously projected 4.5% because of the coronavirus. Kyrgyz President Sooronbai Jeenbekov has asked China for debt relief.

Mongolia's economic growth is expected to decline further in 2020 as measures taken in Mongolia and globally to contain the spread of Covid-19 are weighing on the supply and demand sides of the economy. Mining and services sectors are already suffering. However, unless the impact of the pandemic is prolonged, growth is expected to accelerate in the medium term, supported by stronger impetus in the mining sector, private consumption, and private investment.

The Russian recession will also hit **Tajikistan**. Around 40% of Tajikistan's GDP is earned from workers in Russia sending their cash back home. Thousands have already returned to Tajikistan because their jobs have disappeared. While the EU has pledged €48 million to Tajikistan to help it through the coronavirus economic crisis; Tajikistan's government said last month that a fall in remittances from Russia, and to a lesser extent Kazakhstan, will wipe US$650m from its GDP in 2020, representing a fall of about 8.1%.

There is no data available for **Turkmenistan** since it's reported that the government was deliberately creating an "information black hole". The economy is built on large scale agricultural production in addition to oil and gas supplies, so it will not be quite as affected as more oil reliant economies.

Uzbekistan 's government said that it wants to borrow US$1.1 billion to support its economy deal with the impact of the coronavirus, and that it would borrow this cash on the international debt market. Uzbekistan's Central Bank cut its interest rate by 1 percentage point to 15%, its first interest rate move since 2018, to give businesses support to borrow money to offset the impact of the coronavirus, and said that GDP growth in 2020 in Uzbekistan would drop to 2% from an earlier prediction of 4.9%.

At present, the scenario across Central Eurasia points to a temporary, year-long slowdown to slightly above or below zero growth. *In short, productivity levels will remain the same as those achieved in 2019.*

Western Balkans are suffering a heavy blow as the novel coronavirus spreads and a freeze in economic activities has led to a lower demand for supply of goods and services. **Albania** has reported 969 coronavirus cases, 31 deaths and 771 recoveries; **Montenegro** 324 cases, 09 deaths and 314 recoveries; **North Macedonia** 1,898 cases, 111 deaths and 1,378 recoveries; **Serbia** 10,919 cases, 237 deaths and 5,370 recoveries; and **Bosnia and Herzegovina** reported 2,350 cases, 140 deaths and 1,596 recoveries. Details of impact of Covid-19 on **Kosovo** are currently not available.

As the pandemic continues to spread across the region, the affected countries are potentially facing the worst economic recession in decades. Growth across the Western Balkans is expected to fall between 3 and 5.6 percent in 2020. A particularly severe recession will affect **Montenegro**, **Albania**, and **Kosovo** because of their reliance on tourism: Their economies are projected to contract by 5% to 11%. Disruptions in global value chains and lower demand will further depress export-oriented manufacturing industries in **North Macedonia**, **Serbia**, and **Bosnia and Herzegovina**.

Governments in all six countries have announced measures to support households and businesses during the emergency, ranging from 1% to 6.7% of their GDP, and have introduced access to credit guarantees and subsidized credit for firms, tax and loan payment cuts or deferrals, and subsidies for wages to reduce layoffs. All countries have temporarily increased social assistance for the poor.

Western European countries of **Germany** (1,79,021 infections, 8,309 deaths, 1,58,000 recoveries); **France** (1,81,826 infections, 28,215 deaths, 63,858 recoveries), **Belgium** (56,235 infections, 9,186 deaths, 14,988 recoveries), **The Netherlands** (44,700 infections, 5,775 deaths), **Luxemburg** (3,980 infections, 109 deaths, 3,741 recoveries), **Austria** (16,404 infections, 633 deaths, 14,951 recoveries) and **Switzerland** (30,694 cases, 1,898 deaths, 27,900 recoveries) are fighting a united battle against the economic impact of the pandemic.

On 18 May, **German** Chancellor Angela Merkel rolled out a new EU plan for Covid-19 recovery with French President Emmanuel Macron. The €500 billion fund should be given out as grants instead of loans, and the proposal also emphasizes modernizing the European economy and fostering EU sovereignty. Meanwhile, despite a project €98.6 billion less in tax revenue for 2020, the German Bundestag approved another aid package, which provides more money for testing and protective equipment as well as employees whose hours have been temporarily reduced.

French GDP fell 5.8% during the first quarter of 2020, which only includes the first 15 days of the lockdown. This was the "the biggest drop" in the history of quarterly GDP estimates, which began in 1949, according to the French statistics agency. It is predicted that France will see a 15% contraction in activity in the second quarter, a decline which will weigh on the state's tax resources, and send the budget deficit skyrocketing to 7% of GDP this year. The French Observatory of Economic Conjunctures (**OFCE**) estimated that the country's eight-week lockdown will result in a €120 billion loss for businesses.

Belgium has announced deferred payment for personal income tax, VAT and social security contributions. The government has expanded investment firm PMV's 'generic' guarantee capacity of EUR 1.9 billion by adding a coronavirus crisis guarantee of EUR 100 million. The associated one-time premium rate has been lowered to 0.25% instead of 0.5%. Further, the government made a deal with the financial sector to earmark EUR 50 billion to cover potential losses due to loans that cannot be repaid. This guarantee will cover all loans that run for up to 12 months and are currently taken out by businesses and the self-employed.

In the **Netherlands**, Covid-19 has effectively brought part of the economy to a standstill. The gross domestic product (GDP) is expected to shrink roughly 3.5% this year. The main economic contraction in the Netherlands will take place in the first and, above all, second quarters (-1.3% and -4.5% qoq respectively). Assuming that most restrictions will be lifted in June, the economy can then start to revive in the summer. The Netherlands is relatively well-prepared for a recession. The Dutch government has sufficient fiscal latitude to stimulate the economy. The current Dutch debt (49.3% of GDP) is relatively low and has been under the Maastricht ceiling of 60% of GDP since 2017. This exogenous shock also comes at a time when the economy was running at full steam and some cooling had already been factored in.

Luxembourg's economy is characterized by its fiscal system and a high degree of international openness. The financial sector is the main driving force behind its economy, representing about one-third of the country's GDP, making the country vulnerable to external shocks. The country's growth was estimated at 2.3% in 2019, mainly driven by private consumption and investments (which rebounded after a sharp drop in 2017). According to the updated IMF forecasts from 14th April 2020, due to the outbreak of the COVID-19, GDP growth is expected to fall to -4.9% in 2020 and pick up to 4.8% in 2021, subject to the post-pandemic global economic recovery.

The tourism and leisure industry plays an important role for **Austria's** economy, contributing more than 15% to Austria's GDP (tourism: 8.4% in 2018, leisure: 7% in 2018). Austria's trading sector is likely to take a hit as well, seeing that Germany and Italy are its main trading partners.

Germany is by far Austria's most important trading partner, making up more than 30% of Austria's exports and imports. Exports and imports with Italy amount to 10 billion euro each, equaling a share of slightly more than 6%. The Government's direct measurable support would sum up to more than €4 billion, equaling 1% of GDP. Overall, the government has financial leeway with a budget surplus in 2019, amounting to €1.4 billion.

Switzerland is facing an unprecedented economic downturn. The Swiss State Secretariat for Economic Affairs (**SECO**) assumes that manufacturing output will fall by around 25% of total economic added value compared to 2019. If Switzerland moves into a V-shaped recession (a major downturn followed by a rapid recovery), SECO estimates that GDP will decline by 7% in 2020 and the rate of unemployment will rise to 4% (from 2.3% in 2019). In the case of a more severe recession (a major downturn followed by a weak recovery), the decline in GDP could be as much as 10%, with unemployment rising to 4.5%. The crisis has already had a dramatic impact on the Swiss economy, but the country has been able to mitigate some of the economic consequences by rapidly making loans available to many companies and enabling significant numbers of employers to apply for short-time working compensation, while many employees are working from home.

Scandinavian countries of **Denmark** (11,182 infections, 561 deaths, 9,643 recoveries); **Norway** (8,309 cases, 235 deaths, 32 recoveries); **Sweden** (32,172 infections, 3,871 deaths, 4,971 recoveries); **Finland** (6,493 infections, 306 deaths, 4,800 recoveries); and **Iceland** (1,803 cases, 10 deaths, 1,709 recoveries) are facing much lesser stress due to the COVID-19 pandemic than most European countries. **Denmark** scores high marks for its supply chain tracking and low governmental corruption. The country also moved quickly when it came to enacting social-distancing measures in light of the spread of the virus. Danish culture, which tends to be trusting of authority and willing to stand together for a common cause, has also had an impact on the effectiveness of the measures. The word '*samfundssind*' (which roughly translates to "civic sense" or "civic duty") is the new buzzword in Denmark on both social and traditional media, and most people feel a moral duty to make sacrifices for the sake of public health. The Danish government's financial aid packages, announced on 14 March (which include covering some of the costs of worker salaries), has measures like paying 90% of wages of hourly workers and 75% of those of salaried workers affected by the crisis, are being hailed as a model for the rest of the world, by essentially "freezing" the economy until the storm subsides. The model won't come cheap however; the measures are expected to cost 13% of total GDP.

Norway's economy contracted 1.9% in the first quarter, the biggest drop since the 2008 financial crisis, and will shrink even more in the second quarter after efforts to halt the novel coronavirus outbreak brought many industries to a halt. It is being predicted that mainland GDP would fall by 5.5% in 2020 as domestic and foreign demand for goods and services decline, and in 2021, the economy is forecast to grow by 4.7%. Norway's $1 trillion sovereign wealth fund, around three times the value of annual GDP, puts the country in a unique position to spend its way out of the crisis.

Even though **Sweden** has chosen to avoid an official lockdown, keeping businesses open; and suffering higher death tolls than in neighboring countries as a result, the country is unlikely to avoid the economic fall-out from the pandemic. Sweden's central bank, the **Riksbank**, gave two possible scenarios for the economic outlook in 2020. In the first scenario, gross domestic product contracts by 6.9% in 2020 before rebounding to grow 4.6% in 2021. In a more negative prediction (2nd scenario), GDP could contract by 9.7% and a recovery could be slower with the economy growing 1.7% in 2021.

The economy of **Finland** will shrink by 5.5% this year according to the forecast of the Ministry of Finance in its latest Economic Survey, published on 16 April. The biggest drop in the country's gross domestic product (GDP) will be in the second quarter of this year, after which the level of growth is expected to pick up. GDP is forecast to grow by 1.3% in 2021 and 2022. The sharp contraction in the Finnish economy is a result of the decline in global demand and in Finnish exports, and the restrictive measures taken by Finland to tackle the coronavirus epidemic. Employment in Finland in 2020 will be down with the unemployment rate up to 8% for 2020.

Iceland's action plan to respond to the economic impact of Covid-19 aims to reduce and shorten the impact on business and the economy while also creating the conditions for a swift recovery. The Icelandic government presented an ISK 230 billion ($1.6bn/€1.5bn) response package to the pandemic crisis in March 2020. The package is equivalent to just under 8% of Iceland's GDP. As part of the measures, the government will take on up to 75% of salaries for struggling businesses, back bridging loans for companies, and defer tax payments, as well as accelerating public projects. The measures also include an ISK 20 billion ($142m/€132m) investment initiative toward transport, public construction, technology infrastructure, research, and science in collaboration with municipalities. The government will also create a marketing campaign to encourage Icelanders to travel domestically within the coming months. This campaign will include giving each Icelander 18 years and older a gift certificate valued at around ISK 5,000 ($35/€33) that can be redeemed at Icelandic hotels and tourism businesses.

India – with 1,18,776 infections; 3,586 deaths and 48,553 recoveries has been in full lock-down for almost two month has brought the country's economy to an almost stand-still. While the rate of infection in India does not appear to be as high as in other countries, precautionary measures adopted dealt a severe blow to the country's major industries- with finance, real estate & professional services bearing the largest brunt at an estimated loss of 17.3 percent. The loss incurred by enforcing a lockdown in the country was estimated at 26 billion U.S. dollars and a significant decline in GDP growth is also expected in the June quarter of 2020. In the current scenario *the economy could contract sharply by around 20 percent in the first quarter of fiscal year 2021, with –2 to –3 percent growth for fiscal year 2021;*based on the lockdown continuing until end-May 2020, followed by a very gradual restarting of supply chains. This could put 32 million livelihoods at risk and swell NPLs by seven percentage points. The cost of stabilizing and protecting households, companies, and lenders could exceed 10 lakh crore Indian rupees (exceeding $130 billion), or more than 5 percent of GDP. If the coronavirus flares up in secondary or tertiary waves, with more lockdowns being necessary; India may see a deeper economic contraction of around 8 to 10% for 2021.

As per the World Bank's latest assessment, India is expected to grow 1.5 per cent to 2.8 per cent. Similarly, the IMF on Tuesday projected a GDP growth of 1.9 per cent for India in 2020, as the global economy hits the worst recession since the Great Depression in 1930s. Under complete lockdown less than a quarter of India's $2.8 trillion economy is functional. We are estimated to lose over ₹ 32,000 crore ($4.5 billion) every day during the lockdown.

The Indian economy is expected to languish in the 1% to 2% zone next year. When the crisis ends, and when the economy starts running again, the first few countries to be the first in jump-starting their economies will have an advantage. Being a majority agricultural economy that accounts for almost 14% of the GDP, India can recover quickly in 2020 and has the potential to grow in 2021. The MSME (Micro, Small and Medium Enterprises) sector contributes almost 30% GDP and is one of the key drivers of the nation's economy. The possible relief package of ₹. 20,000 Crore will be a boost to this sector. Sectors that will be the least affected are healthcare, pharmaceuticals, education, IT, telecom and agriculture.

India has the capability of bouncing back faster than most other countries. The agricultural sector can grow in production and quality with the use of technology. When supported by food-processing technology and seamless logistics, India can be a major supplier of food items to the world. The pharmaceutical sector with its generic medicines can be an alternate to expensive trade-marked medications of the West. It will be necessary to boost the manufacture and distribution of Ayurveda based treatments for India to create a unique identity of its own in this sector. The government has already planned to boost local production of Active Pharmaceutical Ingredients (APIs) and emerge as a global alternate supplier.

The sectors of Education, Information technology, and health care; India has been ahead of the curve for a couple of decades. Reforms and innovations in this sector would be a game-changer for the country's economy.

On a grim note, India cannot ignore the secondary wave of Covid-19 infections that are bound to happen, given the dense population and the lack of social and civil discipline that is required to stay safe from the virus. The Government and the people will have to be prepared for the possibility of higher rate of infection leading to a bigger than current fatality count while ensuring that economic activity is kept active without any future lockdowns; to ensure that unemployment numbers are reduced to the minimum. Unemployment has a negative effect on workers' skills and education, even on their health—people who are unemployed become sicker. Any human capital, the skills of the country's workforce, decay over time because of the loss of jobs. What the government needs to do at the moment is try to prevent the destruction of capital and stop the demise of existing businesses. Preventing employers from laying off people is likely to be in their own and the economy's best interest, even if they work very little, since this can help to better protect essential human capital.

NOTE:

The Covid-19 numbers of infections, death and recovery mentioned in this article are those available on 22 May 2020.

BY HARPREET KAUR

Education, Employability, Employment and Entrepreneurship in relation to Five Pillars of Atmanirbhar Bharat Post COVID – 19

Introduction

COVID-19 has spread to over 200 countries across the globe, exposing fragility of healthcare systems, inefficiency of social protection frameworks and lack of economic resilience. Governments have taken drastic measures like imposing country-wide lockdowns and closing borders to arrest further spread of the pandemic. These strategies, however, have caused slowdown in economic activity and trade, disrupting global supply chains. World Trade Organisation (WTO) estimates that impact of health crisis on global trade will be more severe than that of financial crisis of 2008-09. Devastating consequences on nations like India is being witnessed due to large population and weak healthcare infrastructure (Warjri & Shah, 2020).

100 million and more Indian jobs will be at risk during and after the COVID-19 lockdown stage. Confederation of Indian Industries (CII), a leading industry association, asked industry bosses how they felt things would pan out—of the 200 CEOs surveyed one-third expected job losses of *15-30 per cent* in their respective sectors. Another 47 per cent felt the figures might be slightly less than 15 per cent. But translated into actual numbers, the scenario still seems scary. From end-March, many companies have resorted to one of these three decisions—sacking people, asking employees to go on indefinite leave without pay, and slashing salaries by as much as 85 per cent. Although Goldman Sachs and World Bank have predicted the world economy could witness a negative growth of up to 3 per cent and India to grow at mere 1.5-1.6 per cent, latter may not be true. India is less dependent on exports compared to China and Japan and has a huge domestic demand—so growth may "remain static" around 4-5 per cent (Nayar et al., 2020).

The world is slowly limping back to work. There is some slowdown in infections and death rates in many developed countries, but corona virus is not done with the world yet. Till now, more than 51 lakh people have been infected by the virus globally, with over 3.33 lakh deaths. That is the human cost. The economic and social impact is unprecedented. This is one of the worst global economic declines. Most countries are going to witness negative growth ranging from 5-15%. But there is enough resilience in the system with new technologies and global connectivity in financial markets. India needs to have a clear policy to survive and grow in the post-Covid-19 world. Covid-19 is global disaster for which the world was totally unprepared. But the world and India must draw some major lessons out of this unpleasant experience and turn it into a positive one. Doing more of the same after the lockdown is fully lifted is not at all an option. Let us hope that a new thinking process will lead to better policies that help us come out much stronger, with more resilient economies and health systems. The economy is not just numbers; real progress and social stability are needed—that is the biggest lesson from this Covid-19 disaster (Vinod Kumar, 2020)

India has one of the youngest populations in world — almost 46% less than 24 years of age. Many of them are currently enrolled in education system and would be competing for jobs and employment in coming decade. Many of them are going to be working in jobs that do not exist today. Today, technology, industrial automation, robotics and Artificial Intelligence (AI) are changing way industries work — making many of the jobs of today redundant. As a result, lot of working population would need to re-skill themselves to new jobs emerging from technology innovations. India's job market is undergoing these changes and there is need for fresh thinking to address current and emerging challenges. Education that many students receive today is not adequate for a world that is being transformed by scientific and technological advances (FICCI-EY, 2016).

Higher education system in India has big role to play in development of the economy. It is this system that feeds need of trained and skilled manpower for engines of the industry. With ever-changing job market and industry, it is imperative that higher education system adapts itself to new paradigm of imparting life skills and imbibing analytical thinking process among learners — to prepare them for any jobs they may take up in their working lives.

In 21st century, pace of change in job market has hugely accelerated. Changing job scenario is leading to employees switching jobs more often — in many cases to sectors and roles that they did not study for. Many learners who are currently in school would end up working for jobs and roles that do not exist today. Many people are getting into entrepreneurial roles right after higher education, and many are getting into roles different from their fields of study (FICCI-EY, 2016).

Higher education sector needs to transform itself to remain relevant to changing landscape. Focus of higher education needs to change from providing employability enhancements, to prepare learners into thinking, problem-solving and decision-making individuals. Based on current trends in job market, some of the proposed enabling factors for individual learner are as follows (FICCI-EY, 2016):

• ***Focus on judgment-driven skills***: Preparing student for complex-decision making by inculcating softer aspects of job requirements in curriculum — negotiation skills, analytical thinking, problem-solving, communication skills, people management and cognitive flexibility.

• ***Personalised learning paths***: Offering learning roadmaps aligned to individual constraints of time, location and customised solutions to gain skills that are needed, through innovative usage of technology and pedagogical techniques.

• ***Pedagogical innovations to promote experiential learning***: Optimally using peer-to-peer learning, gamifications, virtual reality and augmented reality, simulators etc. to enhance learning experience of student and integrating education with real-world experience.

• ***Flexible program structures***: Developing flexible entry and exit systems for learners to allow them to gain work experience and upskill as needed.

• ***Lifelong learning***: Letting students "unlearn and learn" new skills

To enable students for this scenario, higher education needs to relook at the way it has been operating currently.

Sabharwal (2013) states that India is going through five labour market transitions: farm to non-farm, rural to urban, unorganised to organised, subsistence self-employment to decent wage employment and school to work. These are journeys to a better life for most Indians, but they are being sabotaged by problems: matching (employment reform), mismatch (employability reform) and pipeline (education reform). He further states that poor functioning of 3Es of education, employment and employability has resulted in growth not being translated into sustained poverty reduction in India. Added to this is the fourth E of entrepreneurship which is a missing link. This may get further compounded in post COVID – 19 scenario and will have to be factored in the recovery journey.

Atmanirbhar Bharat

The idea of *Atmanirbharta*, or self-reliance, was at the heart of Prime Minister Shri Narendra Modi's address to nation on 12th May 2020 when he announced an economic stimulus package for Rs 20-lakh-crore (estimated at 10% of the GDP), towards building a *Atmanirbhar Bharat*, or a self-reliant, resilient India, which is one of the largest relief packages in the world. In order to make this plan successful, land, labor, liquidity and laws all have been specifically considered under this package. The package will be used for cottage industry, home industry, small-scale industry, MSME, laborers, farmers, middle-class people and those Indian industries which are working to boost our economy dedicatedly.

The Five pillars of *Atmanirbhar Bharat* focus on:

- ***Economy*** – an economy that brings Quantum Jump rather than Incremental change.
- ***Infrastructure*** – an infrastructure that becomes the identity of modern India.
- ***System*** – A system that is driven by technology to fulfill the dreams of the 21st century
- ***Demography*** – Our Vibrant Demography is our source of energy for self-reliant India.
- ***Demand*** – The cycle of demand and supply chain is the strength that needs to be harnessed to its full potential.

The Five phases of Atmanirbhar Bharat are:

- **Phase-I**: Businesses including Micro Small and Medium Enterprises (MSMEs)
- **Phase-II**: Poor, including migrants and farmers
- **Phase-III**: Agriculture
- **Phase-IV**: New Horizons of Growth
- **Phase-V**: Government Reforms and Enablers

The Finance Minister of India Nirmala Sitharaman announced in a press conference the package in five tranches. This package is inclusive of Rs. 1.7 Lakh crore of free food grains to the poor and cash to poor women and old people, as well as liquidity measures and interest rate cuts by Reserve Bank of India which entirely amounts to Rs. 8.01 lakh crore. The First Tranche of Rs. 5,94,550 crore package focusing mainly on Micro Small and Medium Enterprises (MSME) sector, Provident Fund relief, Non Banking Financial Companies(NBFC), Tax Deducated at Source /Tax Collected at Source rates, Distribution Companies (DISCOMs), Real estate companies and others. The Second Tranche of Rs. 3,10,000 crore package aiming to cater farmers and migrant workers. The Third Tranche of Rs. 1,50,000 crore package focusing on agriculture, dairy and its related sectors, The Fourth and Fifth Tranches of Rs. 48,100 crore catering reforms for coal, minerals, air space management, defense production, DISCOMs in Union Territories and atomic energy.

The *Atmanirbhar Bharat Abhiyan* announced by India's honorable Prime Minister Shri Narendra Modi aims to reduce unemployment, insolvency, and poverty and increase India's per capita GDP. According to our Prime Minister our scriptures '*Esha Upanishadha*' talks about Self Reliance. The concept of Self-Reliant India is brought up during the times of economic slowdown with the purpose to make Indian Economy stronger and to promote local products in India as well as all over the world. Due to the long-lasted lockdown phases, India has come to a very crucial juncture. The Indian culture and tradition have always backed the concept of being Self-Reliant. The mission of this *Abhiyan* was explained by our Prime Minister as not being self-centric but being self sufficient so that it can bring happiness, co-operation and peace of the world.
This *Abhiyan* aiming to be built on the five pillars namely, economy, infrastructure, system, vibrant demography and demand. It is basically a re-packaged version of 'Make In India' concept with more benefits for MSME sector, encouraging private participation in various sectors, escalating Foreign Direct Investment in the defense sector and many more. The primary mission is of the economic reform that will definitely get the economic growth back to its desired level (*Trade Brains*, 2020).

India has faced the COVID-19 situation with fortitude and a spirit of self-reliance that is evident in the fact that from zero production of Personal Protection Equipment (PPE) before March 2020, India today has created a capacity of producing 2 lakh PPE kits daily, which is growing steadily and is ready to export PPEs. Additionally, India has demonstrated how it rises up to challenges and uncovers opportunities therein, as manifested in the re-purposing of various automobile sector industries to collaborate in the making of life-saving ventilators. The clarion call given by the Hon'ble Prime Minister Shri Narendra Modi to use these trying times to become *Atmanirbhar* (self-reliant) has been very well received to enable the resurgence of the Indian economy.

The saying, extraordinary times call for extraordinary measures, holds more truth now than ever before. India has embarked on a journey of self-reliance with the *Atmanirbhar Bharat Abhiyan* – an economic stimulus of extraordinary proportions to provide financial relief in the wake of the COVID-19 pandemic, so as to enable business survival and continuity and improve the environment for agriculture and transform India into a hub for global manufacturing and services value chain. The journey has begun; what we need is a map – an economic blueprint – that will ensure we reach our destination. This blueprint would need to address domestic growth and put in place measures that will make India attractive for foreign investments. Talking about the vision for this *Abhiyan* the Prime Minister urged in his speech to all Indians to come up with detailed study of every sector and to think big. He added Intent, Inclusion, Investment, Infrastructure and Innovation are very important for India in responding to high growth trajectory. Such reforms are systemic, planned, integrated, inter-connected and futuristic process. In his vision he not only aims to promote local products but also suggests everyone to improve quality, modernisation of supply chain and providing best products. He emphasised on inner strength and self-belief for making this *Abhiyan* successful (*Trade Brains,* 2020).

There are parallels between PM Modi's message and Mahatma Gandhi's concept of a self-reliant India, the bedrock of his *Swadeshi* philosophy. Self-reliance is woven into the tapestry of India's journey right from the *Swarajya* movement. The renewed pursuit of *Atmanirbharta* sows the seeds for a new course of long-term development, and serves as the pivot on which India can emerge as a hub for manufacturing and investments. In order to achieve this vision, India needs to focus on holistic and sustainable development. With its growth agenda, the government is set to play an important role in creating a conducive environment for business. Keeping in mind the fundamental pillars of this new, post-COVID-19 India that PM Modi highlighted in his speech, it is important that key policy changes are implemented (Bansal, 2020).

When the crisis takes its place, it is everyone's duty to create an opportunity out of it for the betterment of the nation. The short-term impact of this should never be considered as we all know that the crisis has hit every sector to some or the other extent. Hence, its long-term effect should be contemplated and by adopting futuristic approach. It is important to note that the *Abhiyan* does not suggest to cut off relations from global platform and trade only with local products, the fundamental concept of this *Abhiyan* is to become not only self-sufficient but also to promote local businesses and to show off and feel proud about what invaluable assets we possess. Certainly, this is going to be one of the biggest reforms worldwide. By nourishing local manufacturers, supply chain and with diversification in services and products the *Abhiyan* can be made a successful mission.

There has never been better time in history to take such bold measures. Externally, there is ongoing rebalancing of world powers and India is being looked at as a partner in current fight against COVID-19. Domestically, India has strong government at Centre, bold leadership and strong consumption story given its demographic mix. If bold measures are not taken over next five to ten years, our ability to achieve economic independence will get drastically impacted. Hence, it is critical that, with the vision laid out by government, we act fast and act together to usher in a stronger, self-reliant and more prosperous nation (Bansal, 2020).

Proposed Model of 4Es and Five Pillars of *Atmanirbhar Bharat*

The 4 Es of Education, Employability, Employment and Entrepreneurship are imperative in building a self-reliant *Atmanirbhar Bharat*, by supporting the five pillars of *Atmanirbhar Bharat* and by capitalising on human assets of India.

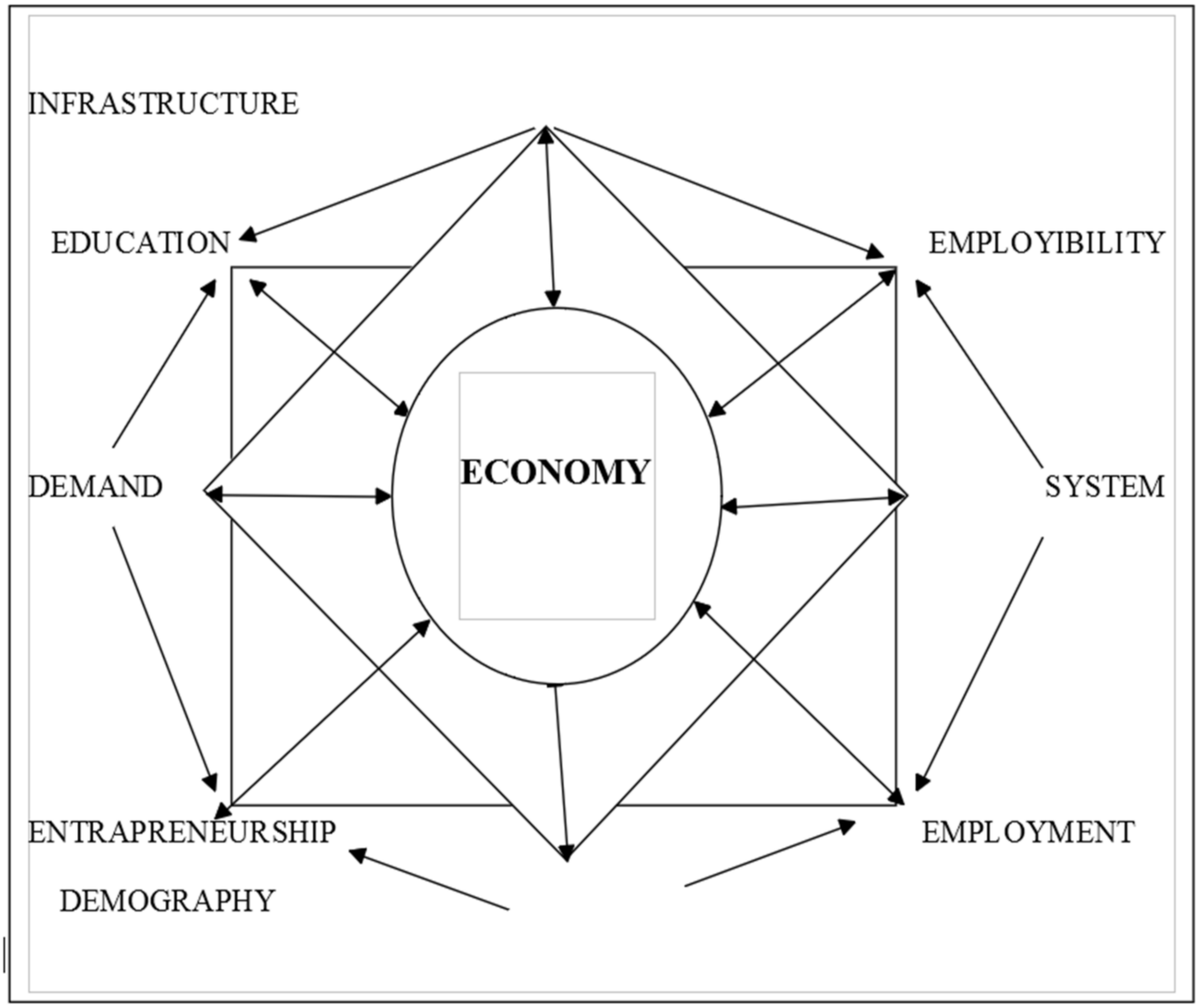

Figure 1: Proposed Model of 4 Es and 5 Pillars of Atmanirbhar Bharat (Kamat & Kamat, 2020)

This proposed Model is an effort to combine five pillars of *Atmanirbhar Bharat* with basic framework required for accelerating economic growth. Education is the starting point for growth and development of any society. Education provides substratum of workforce to the economy. Hence, economy and education need to be juxtaposed. Education should lead to employability. Employability should make employment possible and should facilitate entrepreneurship.

The base of 4 Es, Education, Employability, Employment and Entrepreneurship should be interwoven properly to support five pillars of *Atmanirbhar Bharat*, with economy occupying the pivotal position, depicted in a circle at centre indicates the dynamic nature of economy, for taking a quantum leap forward. Other four pillars of *Atmanirbhar Bharat*, namely, Infrastructure, Systems, Demography and Demand are directly related to 4Es for their inputs and enhancement.

4Es are discussed below in connection with five pillars of *Atmanirbhar Bharat.*

Education

Education is both an instrument and a component of development. Education's contribution to economic growth and social transformation of societies is now recognised all over the world. India aims at transforming itself into a knowledge society and recognises the pivotal role education plays in this (Tilak, 2018).

The key challenge before the education system is the high dropouts at various stages of education. About 35 % of students who start school do not reach grade 10. Of the 26 million who take the grade 10 exit examination, 10 million do not pass. 8 million out of 16 million who take the grade 12 examinations fail to clear them. Only 5 million of the 8 million who go past grade 12 examination go on to college. Preparing a robust pipeline of educated and skilled workers and professionals requires improved completion and transition rates at lower levels of education. A robust primary and secondary education system with adequate quality benchmarks, is crucial to ensure that the higher levels of education and training have a good supply of well prepared students. The education has low capacity. Gross Enrolment Ratio (GER) in Higher education in India is 26.3%, which is calculated for 18-23 years of age group. GER for male population is 26.3% and for females, it is 26.4%. For Scheduled Castes, it is 23% and for Scheduled Tribes, it is 17.2% as compared to the national GER of 26.3%**.** India's Gross Enrolment Ratio (GER) at tertiary level at 11 % is less than half of the world average and much lower than the developed country average of 45 %. Only 15 million people out of population of 13,000 million are enrolled in higher education in India. The system also has low inclusiveness. The Gross Enrollment Ratio is lower than average for women and disadvantaged populations. More than half districts in India have GERs that are lower than national average. These issues need to be addressed to make Atmanirbhar Bharat a reality. There is also need to improve quality of school education. Vocationalisation needs to be examined in context of fast changing technology. One has to ensure that the schools make sure that they impart adequate levels of quality education to address the three Rs (reading, writing and arithmetic) along with communication skills and soft skills. There is urgent need to create a robust base of school education system that is aligned to the higher levels.

Some initiatives under *Atmanirbhar Bharat* for education are:

PM e-VIDYA

A comprehensive initiative called *PM e-VIDYA* will be launched which unifies all efforts related to digital/online/on-air education. This will enable multi-mode access to education, and includes: *DIKSHA* (one nation-one digital platform) which will become India's digital infrastructure for providing quality e-content in school education for all states/Union Territories; TV (one class-one channel) where one dedicated channel per grade for each of the classes 1 to 12 will provide access to quality educational material: *SWAYAM* online courses in MOOCS format for school and higher education*; IITPAL* for IITJEE/NEET preparation; Air through Community radio and CBSE *Shiksha Vani* podcast; and study material for differently abled developed on Digitally Accessible Information System (DAISY) and in sign language on NIOS website/ YouTube. This will benefit nearly 25 crore school going children across India.

National Curriculum and Pedagogical Framework for School Education

There is need to promote critical thinking, creative and communication skills, along with experiential and joyful learning for students focusing on learning outcomes. The curriculum must be rooted in Indian ethos and integrated with global skill requirements. Hence, decision is taken to prepare new National Curriculum and Pedagogical Framework for school education, teacher education and early childhood stage to prepare students and teachers as per global benchmarks.

National Foundational Literacy and Numeracy Mission

A National Foundational Literacy and Numeracy Mission will be launched, for ensuring that every child in India attains foundational literacy and numeracy in Grade 3 by 2022. For this, teacher capacity building, robust curricular framework, engaging learning material – both online and offline, learning outcomes and their measurement indices, assessment techniques, tracking of learning progress, etc. will be designed to take it forward in systematic fashion. This mission will cover the learning needs of nearly 4 crore children in age group of 3 to 11 years.

Manodarpan

In this time of global pandemic, it is vital that we provide psychosocial support to students, teachers and families for mental health and emotional wellbeing. The *Manodarpan* initiative is being launched to provide such support through website, toll-free helpline, national directory of counselors, interactive chat platform etc. This initiative will benefit all school going children in India, along with their parents, teachers and community of stakeholders in school education.

e-learning in Higher Education

Government is expanding e-learning in higher education – by liberalising open, distance and online education regulatory framework. Top 100 universities will start online courses. Also, online component in conventional Universities and Open Distance Learning (ODL) programmes will be raised from present 20% to 40%. This will provide enhanced learning opportunities to nearly 7 crore students across different colleges and Universities.

One missing link is schooling for children of migrant labour (inter-state and intra-state), unorganised and informal sector labour. This needs to be addressed to make *Atmanirbhar Bharat* – a holistic destination.

The higher education system has been characterised with big policy vacuum for long period (Tilak, 2010). It is only towards end of Eleventh plan period that government set out for reforms in higher education and big paradigm shift in higher education could be witnessed. India needs to expand higher education system as countries with small higher education system cannot progress India has target of reaching 30 % gross enrolment ratio in higher education by 2020 (Tilak, 2014).

India's higher education system is the third largest education system in the world. India has around 993 Universities, and 39931 Colleges. The Indian education system provides more theoretical knowledge rather than practical knowledge. Both skill development and higher education are complementary factors but in present scenario universities are imparting knowledge only and government skills programmes are only providing skills. India must provide both knowledge and skills to youth in single university.

Employability

Employability is a notion that captures economic and political times in which we live. As the developed economies come to rely on knowledge-driven business, employability is seen as a source of competitive advantage as national prosperity depends on upgrading knowledge, skills and entrepreneurial zeal of the workforce (Brown & Lauder, 2001). In spite of large scale growth and development in institutions offering higher education in India, ground reality is that employability of various qualified youngsters churned out of our educational system remains a question mark (Subramanian, 2017).

Employability refers to person's capability of gaining initial employment, maintaining employment and obtaining new employment if required (Hillage & Pollard, 1998). Employability is ability of graduate to get satisfying job (Harvey, 2001). Employability is having a set of skills, knowledge and understanding that make a person more likely to choose and secure occupations in which they can be satisfied and successful (Dacre Pool & Sewell, 2007).

Skill development is a way to empower workforce with necessary skills, knowledge through vocational or technical training to meet industry requirements and to ensure competitiveness in dynamic global market (Maclean, 2013). The mismatch problem arises from divergence in what employers are seeking in the candidates in addition to qualifications and actual skills candidates have. This issue of employability skills is particularly important for students who have completed their education but are unable to get a job. There is lack of alignment between various parts of skills, training and employment ecosystem that includes assessment, curriculum, certification and jobs. Unless training institutions are able to effectively take on board market demands and trends for skills, including employability skills in their curriculum and courses and able to provide certification for well-defined skill sets, employability mismatch will continue (Sabharwal, 2013).

Government of India has initiated several programmes to develop skills in the younger generation. Some of the Government Initiatives for Skill Development in Youth are:

1. The SDI – MES Scheme

The Government of India launched Skills Development Initiative (SDI) scheme in 2008 with aim to train 1 million persons on demand-driven vocational skills over next 5 years and 1 million each year after that to support skills training, certification and upgradation in unorganised sector. Under this scheme Directorate General of Employment and Training / Ministry of Labour and Employment undertook development and implementation of strategic framework known as Modular Employable Skills (MES) to cater to youth and existing workers, especially in the informal economy. MES offers flexibility in provision of vocational training to those who have limited education. It provides for testing and certification of existing skills of a person through mechanism of third party assessment of trainees under MES framework through empanelled bodies leading to certification that has national recognition in India.

2. Skill Acquisition and Knowledge Awareness for Livelihood (SANKALP)

Skill Acquisition and Knowledge Awareness for Livelihood (SANKALP) project aims to implement National Skill Development Mission (NSDM) which was launched on 15th July 2015 by Ministry of Skill Development and Entrepreneurship. The project is through World Bank support of US Dollar 500 Million and is aligned with NSDM objectives. It provides access to skill training opportunities to disadvantaged sections and supplement Make in India initiative by catering to skill requirements in relevant manufacturing sector. Agreement for SANKALP was signed on 13th December 2017 between Government of India and International Bank for Reconstruction and Development. SANKALP aims to reform skill development, decentralise skill development governance and improve industry connect of skill development.

3. Skills Strengthening for Industrial Value Enhancement (STRIVE)

Skills Strengthening for Industrial Value Enhancement (STRIVE) project is World Bank assisted Government of India project with objective of improving relevance and efficiency of skills training provided through Industrial Training Institutes (ITIs) and apprenticeships. The financial agreement was signed between Government of India and International Bank for Reconstruction and Development (IBRD) on 19th December 2017.

4. Pradhan Mantri Kaushal Vikas Yojana (PMKVY)

Pradhan Mantri Kaushal Vikas Yojana (PMKVY) was introduced to train youths in undertaking jobs to have better means of living. PMKVY is implemented by Ministry of Skill Development and Entrepreneurship through National Skill Development Corporation. Government has allocated Rs. 12000 crores and scheme aims to nurture 10 million individuals from 2016 to 2020.

5. Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU – GKY)

Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU – GKY) aims to skill poor rural youth and provide them with regular jobs. It is cluster initiative of Ministry of Rural Development, Government of India that seeks to promote rural livelihoods. It is part of National Rural Livelihood Mission (NRLM) for poverty reduction. The scheme will benefit more than 55 million poor rural youth who are ready to be skilled by providing sustainable employment.

Skill development is very important for good future and hence government should focus on skill development and achieve goals of *Kaushal bharat kushal bharat* for *Atmanirbhar Bharat*.

Employment

A damaging impact on an economy as large as India's caused due total lockdown was imminent. Unemployment went up to 24 percent on 17th May 2020. This was possibly result of decrease in demand as well as disruption of workforce faced by companies. This caused Gross Value Added (GVA) loss of more than nine percent for the Indian economy that month (Keelery, 2020). Unemployment rose from 6.7% on 15th March 2020 to 26% on 19th April 2020 and then back down to pre-lockdown levels by mid-June. During lockdown, an estimated 140 million people lost employment while salaries were cut for many others (Wikipedia, 2020).

India's unemployment rate in June 2020 fell to 11% from 23.5% in May 2020, according to data released by the Centre for Monitoring Indian Economy (CMIE) as economic activities resumed after government eased pandemic lockdown restrictions. The virus has infected over half a million people in India, hitting economic activity, but fall in unemployment rate suggested worst may be over for the economy, at least for now (*Business Standard*,2020).

The unemployment rate in India fell to pre-lockdown level of 8.5% in week ended 21st June 2020 from peak rate of 23.5% in April and May after nationwide lockdown was imposed resulting in job losses for millions of workers, Urban unemployment continues to be higher than pre-COVID levels while rural unemployment has come down significantly, thanks to Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) and Kharif sowing across India, said the Centre for Monitoring Indian Economy (CMIE) in its weekly report. The unemployment rate dropped to 7.26% in rural India in the week ended 21st June, lower than it was in the pre-lockdown week ended 22nd March 2020 when it stood at 8.3%. It is still little higher than the 13-week average pre-lockdown rate of 6.8%. According to CMIE, the person-days of jobs created in May 2020 under rural unemployment scheme shot up to 565 million, 53% higher than 370 million person-days of jobs created under the scheme in May 2019 and 2.55 times average monthly person-days of jobs created in 2019-20. 33 million households benefited from the scheme in May 2020, 55% increase than number of households that benefited a year ago (Sharma, Y.S., 2020).

According to an analysis of CMIE, jobs came back in June 2020. Of the 122 million jobs lost in April 2020 because of the lockdown, 21 million came back in May 2020. Then in June, over 70 million jobs came back. As a result, by June of the 122 million jobs that were lost, 91 million jobs came back. In June therefore, the employment deficit compared to the 2019-20 average was about 30 million. It was still 7.4 per cent. Out of the jobs that came back in June, 44.5 million were those of small traders and wage labourers. Against an average employment of 404 million in 2019 – 2020, employment in June was 374 million. Of the 70 million jobs implies that over 63 per cent of the jobs that came back were of these essentially informal forms of employment. This is not very different from the recovery seen in May as well when this category accounted for 68 per cent of the improvement. Nearly one third of the total employment in India is among these small traders and daily wage labourers. They are the ones who bore the biggest brunt of the lockdown. In April, which recorded the biggest fall in employment, they accounted for 75 per cent of all job losses. Now, as the lockdown is being lifted, they are the ones who are getting back to work. During May and June, they accounted for 64 per cent of the recovery in jobs. While all kinds of jobs have been lost during the lockdown, jobs in farming have been rising. The rate of increase of farming jobs has been rising too. In May, employment in farming increased by 1.4 million over its level in April. In June, the increase over May was a massive 11.8 million. While the average employment in farming in 2019-20 was 111 million, in June 2020 it was 130 million. Employment in farming in June 2020 at 130 million was 16 per cent higher than it was in June 2019. A sharp increase in MGNREGA spending by the government has also contributed to the improved employment situation in May and June. Person-days employed under MGNREGA were a record 568 million in May implying a y-o-y increase of 53.8 per cent. It was 441 million in June implying a y-o-y increase of 37.2 per cent. Evidently, a combination of MGNREGA and increased kharif sowing has spurred the employment market in June. Of the 70 million jobs that were added in June, 56.4 million or 80 per cent were accrued from the categories of small traders, daily wage earners and small farmers. The remaining 20 per cent increase was accounted for by mainly business persons. A large proportion of business persons are also self-employed entrepreneurs. The number of business persons who reported being employed increased by 10 million in June compared to May 2020. They account for nearly 15 per cent of the increase in employment in June. The number of persons employed as business persons had increased by 5.5 million in May as well. As a result, much of the loss of employment recorded in April among business persons has been recovered. Of the 18.2 million job losses here 15.8 million have been repaired. Progress of recovery of jobs has been the weakest among salaried employees. 17.7 million salaried jobs were lost in April. This loss increased to 17.8 million in May. This is the lowest increase in jobs. Of the 70.5 million jobs recovered in June, only 5.5 per cent were of salaried employees although salaried jobs account for 21.3 per cent of all the jobs (Vyas, 2020).

Even when things become normal, employers will reevaluate their workforce and there will be people who will be laid off. The impact of the pandemic will be significant on employment and employment opportunities. (Sharma, K., 2020).

According to a research by Boston Consulting Group, it is estimated that by 2020, India will have a surplus of active population of about 60% of total population (Duggal, 2014). By 2026, around 64% of population of India is expected to be in category of active population, with merely 13% aged above 60 years. This phenomenon for an economy when majority of its population is active is referred as the stage of reaping demographic dividend. Demographic potential offers India an unprecedented edge over other western economies and India is expected to enjoy benefit until 2040 (Planning Commission, 2013). Such increasing percentage of active population will provide India an opportunity to improve labour productivity, boost production and within next 10–15 years, position itself among developed countries of the world (Chenoy, 2012). There is need to create shared job framework that brings much needed alignment between supply and demand. National framework and infrastructure for skill development that aligns occupation codes, entry gate assessment and exit gate certification is needed. This framework should allow real time interfacing between demand and supply side of labour markets to not only enable better matching but allow changes to curriculum, job descriptions, job posting and assessments early enough to matter (Sabharwal, 2013).

According to World Economic Forum (WEF) report (2016), workplace innovations such as remote working, co-working spaces and teleconferencing, mobile internet and cloud computing are expected to be biggest drivers of change in global employment scenario. Technological and socio-demographic factors are further expected to change employment dynamics, impacting job functions, roles and skills by 2020. Consequently, nature of jobs by 2030 will be substantially shaped by rapidly evolving pace of technological change. India is poised to become the third largest economy by 2030, with one of the largest and youngest workforce in the world. The country will reportedly need to create jobs for around 100 million people who enter job market over next decade. This will require major overhaul in country's job-creation and skill-development framework in order to make workforce ready for evolved nature of jobs. Indian education and training system has a huge potential for skill development. National Skill Development Corporation (NSDC) has projected an incremental requirement of 347 million skilled personnel in high growth sectors in India by 2022 but country is faced with significant skill development challenge as over the next decade, every year approximately 12 million people are expected to join the workforce.

Youth employment is one area in which India needs to go a long way. For quite some time, India focused and to some extent succeeded in creating high-end jobs created by intensive capital, both domestic and foreign. After COVID-19, the strategy should be to develop policies and institutional frameworks to create entry-level, mid-level and low-end jobs in large numbers, mostly in rural and semi-urban areas (Vinod Kumar, 2020).

Entrepreneurship

The way entrepreneurial business models and approaches are affected by the pandemic will have an impact on how entrepreneurship is perceived as a job choice in future. While large number of start-ups has suffered during the pandemic, COVID-19 has also led to increase in entrepreneurial activity. Companies and individuals across the world have rallied to respond to, and where possible, tackle this crisis. From start-ups and individuals producing and selling face masks and shields to their local communities to local transporters turning into grocery delivery companies, the nature of innovation is often incremental but at same time, essential for survival and adapting to our "new normal". It is certain that the way entrepreneurial businesses are affected today will have impact on how entrepreneurship is perceived as job choice in future (De Cuyper, Kucukkeles & Reuben, 2020).

Some might argue that the crisis could negatively impact risks associated with entrepreneurship and hinder start-ups in attracting right talent; others might suggest that today's changes could alter perceptions of entrepreneurship for the better and could lower threshold of entrepreneurship for many and stimulate people to start their own businesses. With so many large institutions shedding talented and well-qualified employees, perhaps this COVID-19 crisis and its aftermath will encourage more people to take on risks associated with entrepreneurialism when they think they have identified or discovered an opportunity (De Cuyper, Kucukkeles & Reuben, 2020). The structure of the job market has changed in recent years with technology having slipped into almost every aspect of our daily lives. With Make in India initiative, came rise of start-ups and students started to become more inclined towards becoming entrepreneurs (Chakraborty, 2016).

Entrepreneurs are vital to competitiveness of the economy.

Gains of entrepreneurship are only realised, if business environment is receptive to innovation. Entrepreneurs are equally important when the economy is doing badly. When unemployment is high and economy is contracting or stagnating, dynamic entrepreneurship could help turn the economy around. By developing novel products or increasing competition, new firms can boost demand, which could create new job opportunities and reduce unemployment. If entrepreneurs are consistently encouraged, in bad economic times as well as good, then all businesses are kept on their toes, motivated to work continuously to improve and adapt (Kritikos, 2014).

Entrepreneurs introduce innovations and induce economic growth

Entrepreneurs create new technologies, develop new products or process innovations and open up new markets (Audretsch, 2002). Radical innovations often lead to economic growth (Valliere & Peterson, 2009).

Entrepreneurs increase competition

By establishing new businesses, entrepreneurs intensify competition for existing businesses.

Entrepreneurs have positive employment effects

Entrepreneurs stimulate employment growth by generating new jobs on entry (Fritsch, 2012).

New businesses boost productivity

Competition between new and existing firms leads to survival of fittest. Even if overall employment declines, new firms can foster productivity (Geroski, 1989).

Entrepreneurship encourages structural change

Existing firms struggle to adjust to new market conditions. They fail to make internal adjustments and lack ability for "creative destruction" (Schumpeter, 1934). Entrepreneurs may create entirely new markets and industries that become engines of future growth processes.

A severe level of unemployment is main reason why in 2020 idea of entrepreneurship is fast growing among young people. Entrepreneurship can help battle youth unemployment in India. It is important to teach young people entrepreneurship – to equip fresh graduates to start and run their own enterprises – to be job creators rather than job seekers. This is an important step towards *Atmanirbhar Bharat*!

The proposed model in connection with 4 Es and 5 Pillars of *Atmanirbhar Bharat* shows direct linkages. Development of infrastructure will facilitate economy and vice versa. Similarly, enhancement of infrastructure is essential for facilitating the education at all levels, inducing employability. Properly framed systems can create appropriate educational interventions which lead to employment and put employability to optimal use. Demographic configurations should be taken into consideration for creating employment and entrepreneurship. Ultimately it is demand which will enhance entrepreneurship and accelerate the economic growth and development.

Conclusion

India with it young population has good opportunity to attain status of *Atmanirbhar Bharat* in a short span of time. This needs focused and sustained effort to reform education system, which creates not only employment but employability and entrepreneurial skills through preparing demographic units into thinking, problem-solving and decision-making individuals. Entrepreneurship can help battle youth unemployment in India. It is important to teach young people entrepreneurship – to understand what it is and how they can use it. This will equip fresh graduates to start and run their own enterprises – to be job creators rather than job seekers. The base of 4 Es, Education, Employability, Employment and Entrepreneurship are imperative in building self reliant *Atmanirbhar Bharat* and should be interwoven properly to support five pillars of *Atmanirbhar Bharat*, by capitalising on human assets of India with economy occupying the pivotal position for taking a quantum leap forward. Remaining four pillars of *Atmanirbhar Bharat*, namely, Infrastructure, Systems, Demography and Demand are directly related to 4Es for their inputs and enhancement.

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