

COVID-19

Challenges for the Indian Economy: Trade and Foreign Policy Effects



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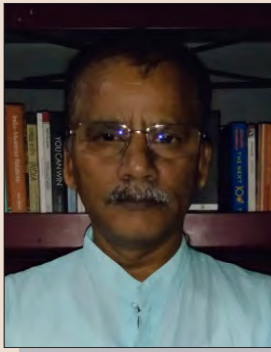
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Part X: Annexure



COVID-19 Shock: Flip Side of Globalisation

Gurudas Das

C COVID-19 pandemic, which, as of end April, 2020, has affected 210 countries and territories around the world and infected more than 3 million people, of which more than 0.2 million people have died, is spreading like a wild fire with such a fury that has compelled the governments across the world to revoke autarky as well as shut down of the national economy in order to save their citizens from this contagion. The strategy of isolation at all levels—local, regional, national and international - is viewed to be the key towards the containment and mitigation of COVID-19. As the crisis deepens, two important realisations, inter alia, have come to the fore.

Two Realisations of Globalisation

First, globalisation not only unlocks the means for the market, it also adds wings to epidemics that spread in no time across the geographical, political and social borders and boundaries. From its source at Wuhan in China, COVID-19

travelled through the highways of globalisation and reached the global nerve centres of trade, commerce and tourism like New York, London, Paris, Milan and Madrid, which are densely populated. Moreover, global value chain (GVC) circuits linked with Wuhan like Detroit and Northern Italy have also acted as the carrier of COVID-19. Similar trend is also visible in case of India, where its globally connected cities like New Delhi, Mumbai, Ahmedabad, Indore, Kolkata and Chennai acted as the gateways through which COVID-19 has entered into the country.

In contrast, countries and regions, which are outliers or less integrated with the process of globalisation, like most of the countries in Africa, are not yet hit hard. For an example in India, one may cite the North Eastern states of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland and Tripura, which have been least affected so far. As the COVID-19 situation is in flux, evolving every moment, it might create havoc to these outlying

countries and regions at some later date. What is important is that these regions are getting enough time to prepare themselves to contain and mitigate this pandemic. There might be several situations: by the time it poses a threat to the outlying areas, drugs or therapeutics might be invented. The virus itself might lose its vitality. Standard model of containment and mitigation might evolve and we might learn to live with the virus. Whatever might be the situation, the outlying areas seem to be advantageously positioned from the invasion of pandemic like COVID-19. Being away from globalisation highways, their isolation acts as the natural barrier against contagions.

In fact, the economic logic of globalisation, based on concentration of production at low cost regions in order to capitalise from economies of scale and organising the production along GVCs, which are seamlessly connected, and the containment and mitigation strategy of isolation to deal with the novel Coronavirus are diametrically opposed to each other. As a result, nations are in a mood of reflection as to how to optimise the economic gain subject to the least cost in terms of loss of the life of their citizens arising out of contagions like COVID-19. One of the ideas refers to “gated-globalisation” rather than “unfettered-market-led-globalisation” that we are having today.

Second, as the global firms, in their bid to remain competitive, have crafted their circuits of global value chain centring around China, firms and the governments all over the world realised the dereliction of such an architecture of global manufacturing particularly during the time of national emergencies like combating the COVID-19 pandemic. Once the pandemic

breaks loose in Wuhan and countries shut their doors to China, their firms and governments find themselves in a helpless situation as their supply chains get cut off. Even the governments of leading developed countries like USA, UK, France and Italy find it hard to ensure adequate supply of medical equipment and accessories like COVID-19 testing kits, ventilators, personal protection equipment (PPE), sanitizers, masks, gloves, thermal guns, thermal cameras, stethoscope amplifiers, disinfectants, etc. Besides, firms producing electronic and electrical goods, automobiles, pharmaceutical products and so on in both the developed and developing countries had to face tremendous hardships as their productions are linked to inputs imported from China. The realisation that over dependence on a single source is a threat not only to business but also to a nation has dawned in the minds of the leaders in business and politics. The idea of “gated-globalisation” is, thus, gaining currency, which requires creation and development of multiple value chains and alternative supply chains so that if one circuit gets disconnected businesses can fall back on others. Nations could have options to switch gear from one circuit to another as and when needed.

Concluding Remarks

Perhaps the architecture of “gated-globalization” will involve re-inventing the state that places community over market. Rise of nationalism and empowered nation states across the world might get energised and while charting their way forward they might learn from pondering over the narratives of isolation of the outliers.