

Can India leverage coronavirus crisis to its advantage?

April 14, 2020 | [\[2020\] 116 taxmann.com 169 \(Article\)](#) (Originally posted on April 14, 2020)



Paras Dawar

CA

When the world is doomed by the pandemic of Coronavirus, at a time when the human race is faced by its biggest challenge that has forced us to self-isolate ourselves in our homes, I am reminded of one quote by Albert Einstein, "in the midst of every crisis, lies great opportunity".

While the world is busy channelling its response to fight the medical emergency created by coronavirus, which by the way has affected more than 1.5 million people across the globe and caused more than 90 thousand deaths, I wonder what could be an opportunity in this global crisis which has struck us all.

American businessman and philanthropist John D. Rockefeller said, "I always tried to turn every disaster into an opportunity". At this hour when the world is divided and lacks a leadership amidst the disaster created by the coronavirus, it is time for India to present itself as an alternative global superpower on which the world can rely.

Geopolitical Scenario prior to the outbreak of coronavirus

Prior to the coronavirus pandemic, the world order was dominated by the USA, China and powerful European nations. Organisations like UN, IMF, WHO etc. were omnipresent and looked after with great respect by member nations. The trade war between US-China had already shaken the mutual trust between the two superpowers to the lowest ebb. The tariff war had become a new normal. North American and European countries had serious security concerns with the inclusion of Chinese companies in 5G trials. The South China Sea dispute, Hong Kong-Mainland China dispute and various other border disputes with its neighbours were much in news throughout the last few years. Despite China's low performance on global "TRUST"-ometer, the world was economically dependent on China which created a huge imbalance of trade for the world.

Even in a divided world, India had managed to have friendly diplomatic ties and bilateral trade relationships with most of the nations. From balancing defence ties with two arch-rivals like USA and Russia, to building strategic partnerships with all major democracies and autocracies, Indian foreign policies were sticking the right cords.

Outbreak of coronavirus

In late November 2019, the first few cases of a new SARS virus were reported in Wuhan, Hubei province of China. Within a month, this new SARS virus, known as coronavirus, had spread in Hubei province of China and eventually to the world.

While there are various theories about the origin of the virus, including conspiracy theories about Covid-19 being a biological weapon used by China to establish itself as a world leader, by spreading the disease through its population being a human carrier of the virus. However, as on date, such stories without any concrete evidence are mere speculation.

Conspiracy or no conspiracy, the role of China in making the coronavirus a pandemic from an epidemic cannot be absolved. Back in December 2019 - January 2020, when the virus was spreading, a disinformation campaign was launched by China. From blaming the US army for planting the virus, to concealing vital information, the Chinese PR bots tried every trick up their sleeves for exonerating role of Beijing from the spread of coronavirus.

As a responsible nation, which was first to suffer from the catastrophe of coronavirus, it was onto China to make the world aware of the invisible enemy that was about to strike the world in most unique and perilous manner. However, instead of raising the flag, China choose to suppress information, criticise countries for imposing travel bans and reprimand the young Doctor LI Wenliang for spreading awareness to fellow doctors warning them about the outbreak and advising them to wear protective clothing to avoid infection.

It will not be impertinent to mention that spread of coronavirus outside the Hubei province was largely controlled by the Chinese. In fact, the number of cases of coronavirus in Beijing and Shanghai are far less than the cases reported in New Delhi. The only reasonable conclusion that could be drawn out of the Chinese way of controlling the spread of coronavirus is that they knew how exactly they need to respond to this invisible monster. That response, had it been communicated to the world in a timely manner, could have saved more than 1.5 million people (and counting) from being impacted resulting in saving lives of over 90 thousand people (and counting).

As a result of the lackadaisical attitude of the Chinese, which was painted by their desire to project themselves as leaders of the universe, the world is suffering its biggest catastrophe.

Life in European countries like Italy, Spain, France, Germany and the United Kingdom have come to a standstill. The United States is frozen. New York, often called 'The City That Never Sleeps' is awake, but with anxiety and fear. Almost all these countries were somehow tepid in their response to this global pandemic in the initial days, resulting in largescale penetration and community transmission of the virus.

India, on the other hand, has somehow got things right from the very beginning. A country divided by politics and deep Centre-State tensions has luckily acted in unison and managed to consolidate all its resources in fighting the invisible foreign enemy. The initial lockdown, followed by strict enforcement and large-scale community tracing, testing and isolation of possible Covid-19 carriers are some of the few

moves that gave initial success in preventing community transmission of the disease amongst the densely populated country of 1.3 billion.

While the fight is not over, and nowhere near to the finish line, here is what India can do to become a new global soft power amongst this depressed world.

How India can leverage the current crisis to its advantage

History tells us that whenever the world faced any crisis, new heroes emerged out of the situation establishing their global dominance and influence. Be it the USA and Britain after World War 1, or the USA and Russia (then USSR) after World War 2, the global order always witnessed a change after every worldwide crisis.

During the current times, when countries like USA and European nations have suffered the most from coronavirus, India is amongst those few democracies that have shielded itself from the most devastating impacts of Coronavirus. At a time when the trust rating of China is at all-time low, it is crucial for India to make radical policy level changes to displace the global order. Four suggested reforms on how India can leverage the current crisis in its favour are as under:

1. Medicine Diplomacy

Nothing soothes more than a friend putting some medicine on your wounds. The current crisis created by coronavirus is making even the most developed countries of the world bleed. India, which is amongst the top 10 countries of the world when it comes to export of pharmaceuticals, can use this medicine diplomacy to strike the right chords with even the toughest negotiating countries of the world. The current revocation of the export ban on hydroxychloroquine and subsequent expression of gratitude by various countries proves that medicine diplomacy enhances the trust factor and reliability perception like no other policy decision.

It is time for the government to consolidate its resources and throw its weight behind private sector players manufacturing pharmaceuticals products that are helpful in fighting coronavirus. Weighted tax deduction on R&D expenditure for developing products/medicine used in fighting coronavirus shall boost the sentiment of corporate India in channelizing their resources.

2. Breaking hegemony of China over world's trade

The overdependence of the world on China has been a cause of concern for many global powers for quite some time. With the changing global order post recovery from coronavirus, many large conglomerates will shift their supply chains from China.

India here can step in and offer itself as an alternative for the capital moving out of China. With the presence of skilled and cheap labour coupled with right policies, India has the potential for tapping a substantial chunk of the investment moving out of China.

In order to achieve this objective, the Government has to immediately get its act together and organise a right team to redraft existing policies that would help lure foreign investment. The 'INVEST IN INDIA' strategy desperately

needs a facelift. Major reforms have to be made in exchange control law to ease the process of setting up business in India. Tax breaks along with ease in capital repatriation norms have to be brought in for attracting foreign investment.

3. Bringing economic stimulus

Ever since the lockdown has been announced, the government is on its toes in bringing one relief measure or the other. From ensuring the availability of funds/food in the hands of the poor, to ensuring a moratorium on loan repayments, the government has been trying to help the needy in one way or the other. While the Finance Minister has always hinted that an economic package will be announced '*sooner but not later*', we are yet to see any movement on the ground.

The Indian MSME sector contributes 30% to our GDP and employs around 11 crore people. For India to emerge as a global hotspot for investment from outside India, the role of Indian MSME is quintessential. This sector, already hit by zero revenues during current lockdown is struggling hard to ensure its survival. Even the corporate giants are struggling in maintaining their cash flows with mounting expenses.

It is time for the Union Government to bring in at least a \$300 billion stimulus (roughly 10% of its GDP) to pump the economy back to life. Around 30% of such funds should be earmarked for supporting the MSME sector to bear their loss of profits, employee expenses, rentals and other costs for restarting their business. 20% of such funds should be earmarked for providing soft loans to large corporates to finance their stressed assets on account of unprecedented lockdown in the country. The loan moratorium must be increased by another 3 months to ensure the availability of cash flows with the business sector. The government could chip in for these delayed instalments directly to banks/NBFC to ensure that the financial sector remains robust. Infrastructure spending by the government should be enhanced big time after the end of lockdown. This shall ensure the creation of jobs, increase in demand, better connectivity and subsequent increase in money supply at a time when the world is experiencing its toughest recession.

The government also needs to identify sectors most hit by the coronavirus (example: airline industry, travel industry, hospitality industry) and bail them out to ensure the business runs as a going concern for a foreseeable future.

4. Reshaping Indo-Chinese relation

As already mentioned, the role of China in the global spread of coronavirus and launching misinformation campaigns is already being criticised world over. At this moment, the world is busy fighting the deadly coronavirus tooth and nail and lacks time or energy for engaging in any fights. But, when the current situation ends, assessment and introspection about this tough time shall start. It is then, that the negative sentiment around China shall peak. Blame game and isolation of China shall start to increase. The impending elections in the US shall add fuel to this fire. At that time when the ratings of the Chinese shall be at their historical lowest, India shall need to reshape its ties with China to our advantage.

Over time, India has mastered the art of sailing in two boats

simultaneously. From having a close relation with arch-rivals like US and Russia to the Arab World and Israel, Indian diplomacy has somehow managed to keep everybody satisfied.

At that time when the world superpowers shall turn its back to China, India must take advantage of such a situation by neither publicly condemning China nor supporting it. With a border of 3,500 km running between India and China, the Indian response shall have to be more measured and in line with overall Indian geopolitical objectives. The "good cop/bad cop" approach shall perhaps work the best in negotiating with the Chinese. With a large population, India remains a big market for China. The Chinese, already pre-empting global criticism post the end of coronavirus situation, have started using soft diplomacy to build a closer repo with India. India must leverage this position to get the better of China on some very important issues like Pakistan sponsored terrorism, Indo-China Border Disputes, Trade imbalance, the inclusion of India into Nuclear Supply Group etc.

The overall response by India to the current coronavirus crisis has been satisfactory when compared with the global response. With the right policy measures and support by the government coupled with changing global narrative, India stands at a real and possibly, one-of-its kind opportunity, to enhance its global dominance and influence.

(The author is a practicing Chartered Accountant based in Delhi and can be reached at paras@parasdawat.com or +91 9711107317)

Disclaimer: The contents of this document are solely for informational purpose. It does not constitute professional advice or a formal recommendation. While due care has been taken in preparing this document, the existence of mistakes and omissions herein is not ruled out. The author does not accept any liabilities for any loss or damage of any kind arising out of any inaccurate or incomplete information in this document nor for any actions taken in reliance thereon. No part of this document should be distributed or copied without express written permission of the author.

■ ■