



CHINA, BETTER PREPARED FOR THE POST-COVID WORLD

Deep economic impact

- India has surpassed China with regard to the number of confirmed COVID-19 cases, and the economic impact is quite threatening.
- India's exports in the month of April 2020 were the worst in the past 30 years.
- Well before this, India had been witnessing a persistent economic downward slide. The pandemic could, thus, not have come at a more inopportune moment.
- India has already had to resort to a second tranche of \$1 billion loan from the World Bank to support COVID-19 relief measures.

India's Package is more a mosaic

Several important segments of the Economic Stimulus Package are:

1. Providing a stimulus to Micro, Small and Medium Enterprises (MSMEs) through a ₹3-lakh crore loan scheme
2. Helping other stressed business sectors such as non-banking financial companies, or NBFCs, power distribution companies and the real estate industry
3. Provisioning of free food grains to migrant workers for the next two months
4. Provisioning of a ₹1-lakh crore subsidy to agricultural cooperative societies
5. Hiking the allocation for the Mahatma Gandhi National Rural Employment Guarantee Scheme, or MGNREGS, by ₹40,000 crore
6. Extension of credit facilities to street vendors; interest subvention for small businesses, etc.

In the list of items mentioned as part of the stimulus package are references to opening up of defence and aerospace for private companies, support to budgetary provisions for domestic defence procurement, bringing out a negative import list of weapons and military platforms, etc.



China's calibrated moves- Route to Global Dominance

- China has embarked on not only attaining economic and technological progress but also in defining how power would be determined in the new globalised era through devising new international norms in many emerging domains such as cyber, space, artificial intelligence, etc.
- China also set about rewriting international rules, premised not so much on governing where global goods are made, but on setting standards that define production, exchange and consumption.
- China Standards 2035 plans to set new standards with regard to the Industrial Internet of Things (IIoT) and define next generation information technology and biotechnology infrastructure.
- Internationalisation of Chinese standards would provide China a clear advantage by providing it an opportunity to set the standards in emerging industries such as high-end equipment manufacturing, unmanned vehicles, new materials, cybersecurity and the like.
- This would enable it gain a dominant position in the global economy.

India must plan well

- Both China and India will, no doubt, suffer an economic setback, but while both nations would be among the very few that would still have a positive growth rate in the near future – 1% in the case of China and 1.8% in the case of India, according to the International Monetary Fund.
- Even though India, Growth rate is 1.8%, given the size of China's economy, it does not translate into a massive shift in India's favour.
- However, there is a great deal of talk of companies demitting China at this time, partly due to the pandemic and partly due to other reasons.
- India would more than welcome some of the entities exiting China, but there are no "green shoots" to suggest that such a shift has, or is, about to take place.
- Many alternatives are available to these companies and India must put the effort to have them consider India.

Analysis: Where did Companies in China go in the past?

- Companies started leaving China when the trade war between the United States and China started shaking up supply chains all over the world in September 2019.
- Companies such as manufacturers of electronics, apparel and electrical equipment,



headed to neighboring Vietnam, Taiwan and Thailand in droves. They also resorted to relocating in places like Mexico and the U.S.



Hence, this is proof that India is not exactly the primary destination for companies quitting China.

Analysis: How is India going to woo companies this time?

- A total area of 461,589 hectares had been identified across India for the purpose of developing a land pool to lure businesses moving out of China.
- At present, investors keen on setting up a factory in India need to acquire land on their own. The process, in some cases, delays the project as it involves negotiating with small plot owners to part with their holding.
- Providing land with power, water and road access may help attract new investments to an economy that was slowing even before the virus hit, and is now staring at a rare contraction as a nationwide lockdown hit consumption.
- India also took up the chance to finally push through long-stalled reforms on land, labor and taxes. Some states even went as far as to completely scrapping labour laws for a certain period to woo companies to set up their firms in India.



-Source: *The Hindu*

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