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**Monthly Compilation of Views of
VIF Expert Groups**

China

Pakistan

US-India Relations

European Union

India's Neighbourhood

Geo-Political Opportunities

Edited by Aayush Mohanty



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Editor's Note

The COVID-19 crisis has exposed the world's inability to deal with impending non-traditional security threats. India is confronted with the pandemic leading to a wide range of issues on the domestic and international fronts. Under these circumstances, Vivekananda International Foundation (VIF) has been actively engaging in discussions with a host of experts on a variety of issues to help charter a course for India's next steps in the neighbourhood, bilateral relations with China, and other major powers. Our experts included former military commanders, former diplomats, and academicians who intensely deliberated upon different aspects of the evolving situation, both within the country and globally. They were assisted by VIF experts groups researchers who organised, formulated points for discussion and prepared report of the proceedings.

This booklet brings together under one cover, over two months of serious efforts put in by the members of the six groups who discussed thread bare different aspects of the non-traditional challenges thrown up by the pandemic. What is remarkable is that all these discussions, coordination, preparation of reports, exchange of ideas etcetera, had to be carried out in a time bound manner under the new reality of meetings in the Virtual World.

As Editor of this compilation, it is my pleasure to present to you the reports of the five Expert Groups containing most critical discussions, their findings, analysis, observations, emerging trends, and finally, views on India's bilateral relations with the EU and the US while delving deeper into Pakistan and China's response to COVID-19.

As the world is looking inwards and prioritising domestic issues over foreign engagements, the reports of various experts' groups of VIF in this edited booklet authored by the researchers of VIF seeks to build-up understanding of the developing situation and its effects India's foreign policy.

I am grateful to Director VIF for the opportunity given to me I would also like to thank all the Group Coordinators for their cooperation. Given the possibility of the pandemic continuing to impact global developments for sometime to come, we in the VIF propose to closely follow the developments and present to our readers the processed analytical reports on a regular basis.

New Delhi
June 16 2020

Aayush Mohanty

Contents

Domestic Politics, reactions and Economy of China during COVID-19.....	6
<i>- Compiled by Dr. Tesbu Singh</i>	
COVID-19 exposes the decaying political model of Pakistan.....	20
<i>- Compiled by Dr. Yatharth Kachiar</i>	
An overview of Geopolitical issues and opportunities for India.....	31
<i>- Compiled by Col. Jaideep Chanda</i>	
COVID-19, an unpredictable factor in US-India relations.....	36
<i>- Compiled by Aarushi Suri, Harinder Sekhon, & Shreyas Shende</i>	
European Union's Post COVID-19 Trajectory.....	52
<i>- Compiled by Himani Pant</i>	
Post COVID-19 : India and the Neighbourhood.....	56
<i>- Compiled by Cchavi Vasisht</i>	

Domestic Politics, eactions, and Economy of China during COVID-19

Compiled by Dr. Teshu Singh

The Vivekananda International Foundation discussed the developments in China amid the COVID-19 crisis on 4 May 2020. The discussions focused on President Xi's handling of COVID-19, the domestic reaction, and finally, the economic decisions taken by the authorities as Wuhan was coming out of the state-mandated lockdown. The discussion was attended by Dr. Arvind Gupta, Lt. Gen (Retd.) Ravi Sawhney, Amb. Ashok Kantha, Mr. Jayadeva Ranade, Mr. Santosh Pai, Amb. R. Rajagopalan, Amb. TCA Rangachari, Lt. Gen. SL Narasimhan, CMDE. Gopal Suri, Prof. Srikanth Kondapalli, Prof. Madhu Bhalla, Prof. Sujit Dutta and Dr. Sanjeev Kumar.

COVID-19 is a Black Swan Event for China

The mismanagement of handling the COVID-19 crisis by China exposes the vulnerabilities of the Chinese political business model which emphasises on exercising excessive state control. In China, where the top-down approach is the preferred form of governance, Xi Jinping did not make a public appearance for two weeks as the situation in Wuhan and around the world worsened. Le Keqiang was sent to investigate the situation on the ground during Xi's absence.

As the consequences of this pandemic are still unfolding worldwide, this crisis has turned into a 'Black Swan' event for China.

In the first week of February, Xi Jinping, in his speech then, informed that since early January, guidelines had been put in place to tackle the epidemic while warning about the gravity of the situation. The speech was later published in the *Quishi* Journal. In practice, though, little or no action was taken due to Xi's absence from public appearances in the first two weeks as the crisis was unfolding and intensifying. Xi appeared from his absence to address the crisis and issued a directive, advising party committees and governments at all levels to take measures to rein in the spread of the virus.

The state media in a few weeks, as things started to get better seemingly, set a narrative of China's "triumphalism," claiming the coronavirus has been contained domestically. Contrary to the claim of "triumphalism," public anger was directed at local and central authorities through social media. The anger peaked as reports surfaced of mismanagement of local authorities while handling the situation in Hubei province after the death of Dr. Li Wanliang.

The widespread anger was augmented as the writings of Xu Zhan-gru and Ren Zhiqiang were circulated widely in China. Experts are intrigued about how discordant notes were somehow allowed to reach a broader audience in a surveillance state like China, where the internet is tightly controlled. Nevertheless, the circulation of these writings criticising the party's role and the support for the same does indicate that there is a section in China that would like the discontinuation of the CCP in power. Another instance of people showing their dissatisfaction was during Vice-Premier Sun Chunlan's inspection in mid-February, where protesters were vocal about the "*the communist government's suppression of freedom of speech and its hiding of information.*"

COVID -19 and *Xiaokang* (Moderately Prosperous Society)

The Chinese economy was already on a downturn due to the effects of the US-China trade war. The situation worsened after the first phase of the trade deal between the countries was signed. The figures indicate that the Chinese economy has shrunk by 6.8 per cent and around 80 million people are unemployed. The worsening situation adds on to the pressure on CCP as it celebrates its centenary year in 2021.

The unemployment figures, added with contraction of the economy is snowballing into more problems for the party as the International Monetary Fund (IMF) has projected the Chinese economy to grow at 1.8 per cent. The projection might lead to the party falling short of achieving the *Xiaokang*, which will hurt the party's legitimacy and might put Xi Jinping in an embarrassing position. As the centenary year, inches closer, per capita income in 2020 is at 1.7 per cent and, for 2021, is projected at 9.2 per cent which seems like a big leap in order to achieve *Xiaokang*.

COVID-19 and China Dream

China's leaders at the beginning of the 21st century had set the target of quadrupling the gross domestic product (GDP) of 2000 by 2020. Chinese leaders projected that the Chinese people would have doubled their incomes, and the country would be prosperous and robust, which would lead to the "rejuvenation of great Chinese nation." Xi Jinping reiterated this goal in the 18th and 19th Party Congress, putting his personal and the party's reputation at stake.

COVID-19 and the Chinese Foreign Policy

Chinese foreign policy post-COVID-19 could be more aggressive, gradually shifting from Deng Xiaoping's legacy. Deng's policy was

accentuated by Jiang Zemin and Hu Jintao. Hu Jintao, during his term, maintained good relations with the US but did declare the South China Sea (SCS) as a core interest area that paved the way for an aggressive foreign policy, military manoeuvres, and establishment that we see today.

COVID-19 and the US-China Trade Dispute

In the US, there is bipartisan support that China is their primary challenge with a need for hardening of stance towards it. In the post-COVID-19 world, there is going to be an intensified US-China rivalry. The seeds for the rivalry has already been sown as the US pushes for accountability in China's role in multilateral institutions like the World Health Organisation (WHO).

COVID-19 and the US-China Decoupling

US and Chinese economies for the remainder of 2020 will be dependent on each other. The decoupling will take longer than expected due to the coronavirus. The plans seem to be in place as last year there has been a decrease in the Chinese direct investments and venture capital investments. The Chinese direct investment in the US fell to just USD 200 million in the first quarter of 2020, down from an average of USD 2 billion per quarter in 2019. The Chinese venture capital investments into the US also fell from USD 4.7 billion in 2018 to USD 2.6 billion in 2019. The US venture capital investments into Chinese companies declined to an estimated USD 5 billion, down from USD 19.6 billion in 2018. The decrease in Chinese investments can be attributed to the tightened scrutiny by the Committee on Foreign Investment in the US (CFIUS).

Meanwhile, US investments in China increased which were about USD 14 Billion in 2019, which was an increase from USD 13 Billion in 2018. The marginal increase in investment could be due to

valuable projects like Tesla's new factory in Shanghai, General Motors' expansion through a joint car venture, and other initiatives including Universal Studios' investments in the Chinese entertainment industry. In the first quarter of this year, US investments into China were USD 2.3 billion in new projects announced, down slightly from a quarterly average of USD 2.8 billion in 2019.

COVID-19 and the One Belt One Road (OBOR)

China's investments into OBOR projects of 48 countries continued. The investments for the time might give China a particular advantage. However, the increasing backlash is taking a toll on the country's international image and, in extension, its flagship project, OBOR. China will likely face a reverse debt trap as there was a decision in G20 to put a moratorium on bilateral government loan repayment as part of an "action plan" to tackle the coronavirus. China, as a member of the G20, is bound to follow it.

Chinese Economy and the National People's Congress

With bleak prospects for an early economic recovery, Chinese economists debated whether they should report China's growth target in the NPC report or not. Ma Jun, a Member of the Monetary Policy Committee of the PBOC, recommended that it be dropped because the growth rate will depend on how the pandemic develops in Europe and the US. Eventually, in the NPC meet held on May 22 this year, no forecast of economic growth was made.

Xu Xiaonian, a Professor of Economics and Finance at the China Europe International Business School, said that as long as the pandemic in Europe and the US is not over, Chinese export companies will have no orders, workers will have no wages, there will be no consumption, and a recession is inevitable. "We are not only short of food and oil, but we are also short of markets; we are short of

orders. Our per capita GDP is one-fifth of that of the United States and one-fourth that of Europe. The domestic purchasing power cannot support our enormous manufacturing capacity,” Xu said. Adding to that, he said, “ We still lack raw materials, especially the technology-intensive basic raw materials, which must be imported from South Korea, Japan and Germany. We lack technology, and technology cannot be developed rapidly when we close the door.”

The slow pace of recovery has also prompted another significant development. Prominent Chinese businessmen like Jack Ma (Ali Baba) and Lui Chuanzhi (Lenovo) signed a nine-point letter to Li Keqiang on 26 March 2020 that suggested comprehensive economic reforms. In the nine points which highlighted their suggestions on economic recovery, there was also a mention of the release of the princeling Ren Zhiqiang.

Criticism against Xi Jinping amid the COVID-19

At the height of the COVID-19 several criticisms were levied against Xi Jinping’s governance style. Zhao Shilin, a retired Minzu University professor and former member of the Central Committee and Deputy Director of the Culture and Arts Commission, published two public letters. The letters to Xi Jinping were on the government’s response to the outbreak expressing his concerns about the precarious position. The first letter, on February 23, said that the government had “missed the most important ‘golden window’ of time to combat the epidemic—the time around the Chinese New Year... [resulting] in the epidemic spreading with great ferocity. The costs of this mistake are enormous. The lessons we must learn are “unspeakably painful,” ...the losses, immeasurable....” The letters also identified the factors responsible for the situation. Stringent security, ensuring party preeminence with the party’s central authority topped the list of factors echoing the view that censorship

and obfuscation of information about the virus' spread and severity led to rapid transmission in the early stages of the outbreak. The letters also mentioned that people within and outside the system are calling for reforms. About Xi Jinping's remark that the battle against coronavirus 'is a grand test of the capacity of our nation's system of governance,' Zhao Shilin bluntly declared, 'Regrettably, I must say, you're scoring zero so far!' Stating that 'people from within and without the system are calling for systemic political reform.' In Zhao's opinion, it is crucial to implementing the 'socialist core values of freedom, democracy, equality, and the rule of law' and guaranteeing the political rights of citizens, like freedom of speech.

In the second letter, he reiterated, 'There should be more than one voice in a healthy society to demand free speech.' Many others posted critical articles reverberating similar views, risking certain punishment. Xu Zhiyong, a former lecturer at the Beijing University of Post and Telecommunications, urged Xi Jinping to step down for his 'inability to handle significant crises'. Xu called Xi's political ideology 'confusing,' the governance model 'outdated' and accused of ruining China with 'exhaustive social stability maintenance measures.' "For the public's sake, I am asking you again: Step down, Mr. Xi Jinping." Tsinghua University professor Xu Zhangrun's essay titled, 'Angry People No Longer Fear,' went viral on Chinese social media platforms. The essay blamed leaders, especially Xi Jinping, of being out of touch with the peoples' needs and perpetuating an elite 'small circle of leaders' and alluring in 'big data terrorism.' Xi Jinping is a "political tyrant," the essay said and declared that "the sun will eventually come to this land of freedom!"

Zhang Wenbin, a student at Shandong University, in one of his posts on social media, asked Xi Jinping to step down. The call for Xi to step down has been an idea supported by other students as

well. Meanwhile, feeble protests by official and party members included asking Xi to step down. On 22 March 2020, Cheng Ping, a princeling, posted a letter in which was circulated on Wechat that included several issues related to the handling of the coronavirus and asked for an immediate meeting of the Politburo. The letter/post had a 13-point agenda, and asked whether Xi Jinping should continue as the leader of the CCP.

Criticism against Xi Jinping and Historical Parallel

The position of the party in 1989 and in the present times is similar. During the 1989 Tiananmen Square incident, millions of Chinese people took to streets in Beijing to demand political reforms. The political protest then was the largest China had seen since the formation of CPC. The protest was sparked by the death of Hu Yaobang (CCP General Secretary, who stood for reforms). Xi Zhongrun (Xi Jinping's father) was against Deng Xiaoping's orders to kill the protestors. As a punishment for defying orders, he was removed from CCP leadership and exiled to the southern part of China for ten years. The ones who survived the massacre were suppressed. The party hardliners dominated Chinese politics thereon. The crack-downs then, are similar to Xi Jinping's drive today to weed out any political opposition within the CCP.

COVID-19 and Steps were taken by Xi Jinping to Downplay his Criticism

To counter these reactions coming from all quarters in China, the National Supervisory commission that was handling the case of Dr. Li Wanliang, on 19 March 2020 said that the police bureau had removed the reprimand meted out to Dr. Li before he died. The police department of China's Wuhan City tendered an apology to Dr. Li's family for the "inappropriate handling on the matter." Compensa-

tion was awarded to his family members. Concurrently, the police arrested people who had criticised Xi Jinping, and they were banned from using social media.

In mid-March, officers from China's top internal security force - the People's Armed Police - joined Hong Kong police on the frontlines to oversee and control anti-government protests that peaked last year. On April 18, 2020, the Hong Kong police arrested 15 prominent pro-democracy leaders for "organizing and participating in unlawful assemblies" during the widespread protests in 2019.

Even as the crisis was unfolding domestically, China continued its hard stance on Tsai Ing-wen and Taiwan. The *PLA Daily* in a news item opined that the pressure for "force reunification of Taiwan" is rising. Beijing also blocked calls between WHO and Taiwan to discuss COVID-19 and actively obstructed its participation in global forums to discuss best practices for containing the virus.

COVID-19 and Aggressive Chinese Stance towards India

On the recent People's Liberation Army (PLA) manoeuvres at the India-China border, the Chinese army has begun major military exercises in the high-altitude Tibet bordering India, deploying the latest weapons including the Type 15 light battle tank and the new 155-MM vehicle-mounted howitzer. The PLA Tibet Military Command started its New Year exercises under which it deployed helicopters, armoured vehicles, heavy artillery, and anti-aircraft missiles across the region from Lhasa to the border areas with elevations of more than 4,000 meters, according to a report in one of party's mouthpiece *Global Times*. Later, in April, the Chairperson of the Block Development Council of Nyuma-Changthang reported that around 300-500 Chinese military vehicles were seen in the Tashigong area opposite Demchok. Activity in the skies, especially

fighter jets during the day were reported in the region.

Earlier in March, though, an Artillery Brigade of the 76th Group Army in the Western Theatre Command carried out 'live-fire' exercises the PLA's Tibet Military Region. Before that, the PLA Rocket Force carried out high-altitude 'live-fire' exercises at 4,500 meters in Tibet. The exercises were intended to convey to Japan, Vietnam, Taiwan, and India, as well as the US, that China retains the capability and the intent of becoming the dominant power of the Indo-Pacific.

COVID-19 and Chinese Behaviour along the India-China border and the South China Sea

Indian and Chinese soldiers were involved in scuffles on two occasions. The locations of the two incidents are 1120 km apart. The first incident was in north Sikkim (Naku La sector, ahead of Mughang, a pass at the height of more than 5,000 meters), the other incident took place in the Eastern sector of Ladakh. Around 150 soldiers were present while four Indian and seven Chinese soldiers were injured during the scuffle and later, was resolved at the local level. After 22 rounds of talks, the India-China boundary remains unsettled. Therefore such incidents occur at regular intervals. Although, the Chinese aggression on the borders this time is more aggressive, which is supported by the decreasing snow levels in the mountainous region. Given the spread of COVID-19 in both countries, the confrontation did not escalate.

2020 also marks the 70 years of India-China relations, and China will try to avoid any adverse development in bilateral relations. The Chinese spokesperson of the Ministry of Foreign Affairs has denied that China is adopting an aggressive posture. The Chinese have tried to underplay the incident. Meanwhile, India needs to speed up

the development of infrastructure on its side. Overall, it is unlikely that the scuffles will lead to deterioration of bilateral relations, but suspicion remains.

In the South China Sea, China has set up two new administrative structures under the local government in Sansha, Hainan Province. The PLAN had expelled the guided-missile destroyer, *USS Barry*, from the Paracel Island in the South China Sea on the pretext that the US navy was intruding into the Chinese waters. China has prohibited fishing activities in the 12th parallel, including regions near the Scarborough Shoal, the Paracel Islands, and the Gulf of Tonkin, citing conservation of rocks as a reason. Using these developments, China is utilising its military to send a message that it is capable of operating at a longer distance for a more extended period to challenge the other claimants of the SCS and the US.

COVID-19 and Xi Jinping's Strengthening of Position

Xi has become more active to subdue criticisms and has worked towards increasing surveillance within the party leading to appointing loyalists to important positions. Princeling Ren Zhiqiang was arrested as a part of the crackdown to indicate that no criticism will be tolerated against Xi. In order to keep closed surveillance, he took two concrete steps. The first was the creation of "Safe China Construction Coordinating Small Group." The group comprised of Xi's loyalists, each of the nine members were selected by him. Xinhua reported that the new organisation's declared task is to, "Prevent and the crackdown on activities that endanger the political security of the country." The group is led by Guo Shengkun, Politburo Member and also, Secretary of the Political and Legal Affairs Commission, which is at the apex of China's security apparatus. The party's growing anxiousness about social unrest can be cited as the reason behind the formation of this group.

The second step was when Radio Free Asia reported that after removing Sun Lijun, the Deputy Minister of Public Security, Xi Jinping's followers held three emergency meetings. The first emergency meeting was of the Ministry of Public Security on April 20 this year, then, an emergency meeting of the Secret Service Bureau of the Ministry of Public Security was held on April 21. Finally, the third meeting was of the CCP Political and Legal Affairs Commission on April 22. At the Secret Service Bureau's meeting, Wang Xiaohong, the Executive Deputy Minister of Public Security and Director of the Secret Service Bureau stated, "(We) must increase the monitoring of the 'top leaders' decision-making power, staff appointment power, and financial approval power, to let the 'top leaders' get used to working and living under monitoring." During these meetings, Wang Xiaohong also hinted that it was the Secret Service Bureau who arrested Sun Lijun. The meetings proved to be a double-edged sword for Xi as they indicated him wanting members of the party to fall in line but exposed the widening inner fractional fracas, indicating Xi's woes are far from over.

COVID-19 and Big data to jumpstart the economy

In mid-February, Xi Jinping told the 'top echelons of the party' that it is vital to continue to work, through a directive issued by him. By 1 March 2020, most of the State-Owned Enterprise's (SOE) resumed their operations. Data has played a significant role in restarting the Chinese economy. Colour coordinated QR codes (denoting containment zones) were used while usage of data was incentivised for citizens and private players like Alipay and Tencent. The QR codes used by private enterprises are operated by the state. The idea behind incentivising data is to resume all production activity irrespective of whether it is COVID-19 related or export-oriented work. Other protocols to restart the economy included instructions on how to use public transport and other essential public services.

COVID-19 and the Fiscal and Monetary Measures

Fiscal and monetary measures of around RMB 2.6 trillion were announced. Lowering the cash reserve ratio of the banks as well as reverse repo auction while several tax measures were introduced. A large percentage of labour needed to be absorbed to solve the unemployment problem. The production units have been asked to meet the targets. Furthermore, those that meet the target were earmarked for a credit line to run their workforce.

China's ratio of tax revenue to GDP limit is similar to that of India, between 17-18 per cent. The fact that most of the tax relief measures were designed to prevent significant loss of revenue is a direct result of China's share of tax revenue in GDP being 18.9 percent, which is low compared to the OECD average. India's ratio is similar at 17.2 per cent and suggests that it will be difficult to forego significant tax revenue. The tax cut has not been significant to signal any changes to shift from the current system. In the future though, policies are being formulated to encourage all Chinese citizens to use only Chinese products in order to increase domestic consumption. Some smaller steps include planning holiday trips in China, consumption of Chinese milk brands. Other measures have been put in place to increase domestic consumption.

COVID-19 and Emphasis on Rural Economy

During the COVID-19, incentives were given by the Chinese government for the rural economy. E-commerce was encouraged in the rural economy, which will help compensate for the losses incurred during the lockdown period. The Chinese government has plans to incentivise for promotion of rural consumption.

Conclusion

To sum up, experts in VIF agreed that COVID-19 has put China in flux. The critical mass is building against Xi Jinping in China, but it is not strong enough to initiate any efforts to remove him from power. With all the constitutional change made by Xi during the 19th Party Congress, he is likely to be in power till 2027. The aggressive foreign policy postures by China is signal that they are not weak and can directly challenge the US in the South China Sea. The Chinese economy is the first major economy to resume after COVID-19. Stimulus packages given by the Chinese government are to ensure fulfilling the target of getting the economy back in full swing by the last quarter. The Chinese government now is giving more attention to its rural economy and promoting domestic consumption. A significant development during this period was the test of e-RMB in some major cities, which indicates China's push to internationalize the RMB and, in extension, trying to create an alternative trade system. Despite the 70th anniversary of India-China relations this year, the spate of incidents starting from April onwards; has made India vigilant at the borders, and upgrading the infrastructure at the border areas will be a priority.

COVID-19 exposes the decaying political model of Pakistan

Compiled by Dr. Yatharth Kachiar

A meeting of the Pakistan Study Group was held via video conferencing on 29 April 2020. The main items on the agenda were the COVID-19 situation in Pakistan and China-Pakistan relations. The discussion was attended by Dr. Arvind Gupta, Lt. Gen (Retd.) Ravi Sawhney, Shri. C.D Sahay, Shri Tilak Devashar, Brig. (Retd.) Rahul Bhosle, Amb. Satish Chandra, Amb. Parathasathy, Amb. Gautam Mukhopadhyay, Ms. Shalini Chawla, Shri. Sushant Sareen and Shri, Rana Banerjee.

COVID-19 Situation in Pakistan

Impact on Civil-military Relations

In South Asia, Pakistan has the second-highest number of COVID-19 cases. The pandemic has exposed various fault lines in Pakistan. The COVID-19 pandemic seems to have been grossly mismanaged by the government led by Prime Minister Imran Khan. Imran Khan's reluctance to impose an early and complete lockdown has been criticised by the Pakistani media. The opposition parties and civil society groups have been arguing that a complete lockdown is necessary for the containment of the virus. Despite his re-

luctance, the PTI-ruled provinces like Punjab and Khyber Pakhtunkhwa have imposed a complete lockdown.

There is a possibility that the mismanagement of the present crisis could create a rift between Imran Khan and the army. Pakistan's military's persistent determination to dominate the civilian government could change the dynamics of civil-military relations. In the worst-case scenario, the army might advocate for someone else in place of Imran Khan. Despite mishandling the crisis, the problem for the army in replacing Imran Khan is that it does not have a suitable replacement yet. Moreover, Khan has proved useful in advancing the army's institutional interests that have pleased the military leadership in Rawalpindi. At the same time, the charismatic appeal of Imran Khan at home and abroad has contributed to raising much-needed funds and in restoring Pakistan's place within the international community. Such an arrangement suits the army since it is virtually ruling the country; deterioration in the situation would allow it to take the reins of governance into its hands though it would prefer to manoeuvre the situation from behind the curtains.

In any case, the Pakistan army has stepped in to handle the COVID-19 crisis under 'aid to civil authority' provisions of the constitution. Lt. General Hamood uz Zaman, the commander of the army's Air Defence Command as the Chief coordinator of the National Command and Operation Centre to deal with COVID-19 pandemic by the army.

Impact on Centre-Provinces Relationship

In Pakistan, discussions have started about revising the 18th amendment. The 18th amendment ensures provincial autonomy in various subjects, including health care. The revision could be linked to the

pressure put by the army, which finds itself short of funds. The mismanagement of the COVID-19 crisis by the government could be another factor. One excuse that is being used to justify the inability of Imran Khan to handle the pandemic systematically is that the provinces, especially Sindh, are not cohesively backing him. Despite the Federal government's reluctance, many provinces, including Balochistan, Sindh, Punjab, and Khyber Pakhtunkhwa, have taken the lead in imposing a complete lockdown. It indicates the lack of coordination and disagreement between the federal and provincial governments. The military's proactive entry into the scene to handle the pandemic is marked by disharmony between federal and provincial governments, that have raised serious concerns among analysts.

Role of Religion during the COVID-19 in Pakistan

During the COVID-19 pandemic, defying every norm of social distancing, the mosques in Pakistan are operating routinely. It is not difficult to predict how it will impact Pakistan in terms of escalating the number of positive cases. Many doctors have appealed to the government on media not to open mosques since the medical system in Pakistan barely manages to handle routine emergencies. The nature of the current pandemic has proved disastrous even for the developed European countries. In order to bring religious leaders on board, President Arif Alvi sought a fatwa from the al-Azhar University in Egypt to suspend congregational prayers at mosques. Despite this, the ulemas in Pakistan insisted that closing mosques and stopping congregational prayers and sermons contravened the principles of Islam.

Interestingly, it seems that the army was on board when it came to the opening of mosques in Pakistan. The Pakistan army has misappropriated Islam for several decades and established itself as the protector of the nation and its faith. Nevertheless, the rigid attitude

of the religious leaders in Pakistan, driven by their narrow financial and political interests to remain relevant, will have severe consequences for Islamabad.

The economic impact of COVID-19

The economic impact of COVID-19 on Pakistan can prove catastrophic. The United Nations latest report, *'The COVID-19 shock to the developing countries'*, has already warned that Pakistan could be the hardest-hit by the economic fallout of the coronavirus pandemic. To deal with the crisis, Pakistan has sought the USD 1.4 billion worth of emergency facility from the IMF. The loan was approved on April 16 by the IMF under its Rapid Financing Instrument Scheme. Moreover, Pakistan is also expected to receive around USD 1.5 billion relief in the form of delay in repayment of loans to bilateral creditors. Pakistan's government's reliance on foreign aid and loans is not sufficient in handling the current COVID-19 crisis. Experts in VIF believe that it is a short-sighted strategy and can prove disastrous for the economy.

At present, the IMF program is virtually dead, which means that for Pakistan, any incentive to continue the reforms in the economic sector is no longer there. According to reports, in April 2020, the IMF has postponed the second review of its USD 6 billion bailout package, citing a delay by the country in implementing the agreed actions. The IMF has already released a certain amount to Pakistan and has not officially suspended the program, implying that the international financial institutions will continue to engage with the Imran Khan government. Pakistan is supposed to pay back USD 750 million in the current fiscal year and the same amount in the next fiscal year.

COVID-19 figures in Pakistan

The COVID-19 figures in Pakistan are less steep than India. The reason could be that either the exact figures are not available or the Pakistan government is handling the crisis well (the latter, according to experts in VIF seems improbable). It could also be that the peak has not come. However, the health infrastructure and facilities in Pakistan are inadequate and are not capable of handling the current crisis. Despite the dire state of the health infrastructure in Pakistan, the provincial governments, mainly the Sindh government, has done a better job in handling the pandemic. It imposed the lockdown much earlier than the central government.

The initial prediction in Pakistan was that 50,000 people would get affected by the COVID-19 pandemic by the end of April. The current numbers are, however, lower than the initial predictions, which indicates that either the numbers are fudged, or the earlier predictions were based on inaccurate assumptions and figures. It is indeed surprising that the low numbers of positive cases in Pakistan persist despite the delay by the government in deciding whether to go ahead with the lockdown or not and whether it should be a full lockdown or partial. As a result, there is a possibility that community transmission has taken place in Pakistan during the initial days. Despite the lack of precautionary measures such as social distancing, the low number of COVID-19 cases in Pakistan indicates that the numbers are understated or fudged.

Further, on the issue of underreporting or suppression of COVID-19 figures in Pakistan, one should also consider the possibility that the virulence of COVID-19 in South Asia is less as compared to other parts of the world. The region is not seeing cases of excessive pressure on hospitals yet. In several cases, the earlier predictions

of COVID-19 were made based on specific models that may or may not be accurate.

The Strategy of Youth and Faith

Imran Khan has focused on two elements to fight the COVID-19 pandemic - *youth and faith*. To mobilise the youth in the fight against coronavirus, Khan created the Corona Relief Tiger Force. The Corona Relief Tiger Force, a youth-based volunteer force, will work in collaboration with the government and security agencies to distribute food to the poor and work towards creating awareness about the pandemic. The newly formed force will receive basic training, and the volunteers will work in their respective provinces. There has been criticism regarding the Corona Relief Tiger Force, especially the opaque method used for the selection of volunteers. Many have labelled it as a politically motivated force consisting of PTI workers. Imran Khan also suggested fighting the COVID-19 pandemic in the country by relying on *faith*. Khan had said that Pakistan had to fight the war against the coronavirus with wisdom and faith since the country lacks ample resources like the US or China to impose complete lockdown/curfew for long.

Further, to combat the economic impact of the COVID-19 crisis in Pakistan, Imran Khan announced the setting up of the Prime Minister's Relief Fund. Khan stated that the money received through this fund would be used for providing financial assistance to the poor people under the *Ehsas Kifalat* program. In addition to this, the cabinet approved Rs. 1200 billion relief package and decided to provide 2.2 million people with Rs.12,000 monthly for four months under this program.

Handling of COVID-19 at Iran border

The Taftan border with Iran became a major entry point of COVID-19 cases into Pakistan. The Shia community of Pakistan often uses the Taftan border as a crossing point to travel to Iran for pilgrimage. After the rapid outbreak of COVID-19 in Iran, the pilgrims returned to Pakistan via this border. However, the mismanagement of quarantine facilities at the Taftan border combined with a lack of diagnostic kits made it difficult to stop the spread of the virus to the rest of the country. As the pilgrims traveled home, the provincial governments such as Sindh decided to set up its quarantine facility at the provincial border. The federal government's failure to aid the Sindh government to deal with the returning pilgrims from Iran has been criticized widely by the opposition leaders. Pakistan closed the border with Iran on March 16 due to the rising cases of COVID-19 pandemic.

India-Pakistan relations

The COVID-19 pandemic, which has brought the entire world to a standstill, has not been able to suspend the Pakistan-sponsored violence along the Line of Control (LOC) and in Kashmir. When India and the world are preoccupied with the Coronavirus pandemic, the 'deep state' in Pakistan has enhanced the ceasefire violations and terrorist activities in Jammu and Kashmir. India lost its five Special Forces personnel while foiling an infiltration bid in the Keran sector, and again three CRPF personnel were killed in an attack in Handwara. According to reports, in March 2020, India recorded 411 ceasefire violations. Also, there have been reports suggesting that Pakistan is not only targeting India militarily but also in cyber and information domain. Several fake twitter handles impersonating Arab personalities have emerged from Pakistan. These Twitter handles were aimed at creating a wedge between India and its Gulf

partners. Indian security agencies have also reported the emergence of a new terrorist outfit named 'The Resistance Front' in Kashmir. It is another attempt by Pakistan to pass off its terrorist proxy group as an indigenous movement. Further, in March 2020, Pakistan also attempted to sabotage India's attempt to build regional humanitarian collaboration to fight the COVID-19 pandemic during the meeting of SAARC nations via video conferencing. Instead of adding substance to the region's attempt at tackling the pandemic, Islamabad used the platform to raise political issues such as Kashmir.

Pakistani Migrants in the Gulf

At present, when the Pakistani economy is under tremendous pressure due to the COVID-19 pandemic, the fall in remittances from abroad will enhance trouble for Islamabad. According to the IMF report, during the fiscal year 2020-2021, Pakistan's remittances will drop by USD 5 billion. With the dwindling oil prices and sinking global economy, 4.5 million Pakistani migrant workers in the Gulf countries are facing an uncertain future. The initial reports suggest that around 13,000 Pakistani workers lost their job in UAE alone, and more than 60,000 expatriates have registered to return to Pakistan from the Gulf region. The remittance from the Gulf region is an essential source of foreign exchange reserves for Pakistan. Millions of Pakistani migrant workers scattered across the Gulf countries send around USD 24 billion annually as remittances to Islamabad. To keep foreign exchange reserve afloat, Pakistan will either have to resort to more borrowing externally or lower the investment in various crucial economic sectors. Both options will hurt GDP growth. Further, as Pakistan starts repatriating its citizens from the Gulf countries, it will be a challenging task for Islamabad to ensure the testing and quarantine facilities for such a large number of returnees.

China-Pakistan Relations

At this particular time, during the COVID-19 crisis, when the whole world is demanding accountability from China, Beijing is in dire need of friends and allies. Meanwhile, Pakistan's frail economy also requires financial support, which it can readily receive from a friendly country like China. Beijing is already extending massive humanitarian assistance for the COVID-19 pandemic to Pakistan. Islamabad also sees the pandemic as an opportunity to get debt relief from China. Pakistan Foreign Minister raised the issue of debt relief before the G-20 meeting as well. The current disruption caused by the pandemic will have repercussions on the ongoing projects of the China Pakistan Economic Corridor (CPEC). Pakistan authorities have already stated that the CPEC projects will face delays. Pakistan has requested China to ease payment obligations in significant power projects that are part of the infrastructure project.

Further, Pakistan and China have used the current pandemic crisis to strengthen their relations. When the pandemic first erupted in China, the Foreign Minister of Pakistan was the first foreign dignitary to visit Beijing. On 13 February 2020, the National Assembly of Pakistan passed a resolution praising China's efforts against COVID-19 and lauding China's help to Pakistani nationals stranding in Wuhan during the crisis. The Chinese Foreign Ministry highly commended the resolution passed by Islamabad, which noted that both the countries are close neighbours with a fine tradition of helping each other. Meanwhile, President Xi Jinping also spoke to PM Imran Khan.

Further, to express solidarity with Beijing, President Arif Alvi visited Beijing in mid-March when the COVID-19 crisis was at its peak. At the end of the visit, the two countries issued a joint statement that applauded China's efforts to eradicate the disease, and

reiterated their close association and pledged to protect each other's core interests. Following the visit, the Khunjerab pass in Gilgit Baltistan in Pakistan-occupied Jammu & Kashmir was opened, and China began transporting aid and equipment through this pass to help Pakistan in its fight against the pandemic.

According to the Chinese Embassy in Islamabad, Beijing has handed over at least 2 tonnes of masks, test kits, ventilators, Personal Protective Equipment worth Rs 67 million to Pakistani officials at Khunjerab pass. Further, Beijing is helping Pakistan in setting up temporary hospitals to deal with the rising numbers of COVID-19 patients. Pakistan received another tranche of testing kits and equipment from China via special cargo flights, which also ferried Chinese specialists and health workers to execute relief measures in Pakistan. Also, private Chinese entities such as Alibaba Foundation are providing relief equipment to Islamabad.

In short, the COVID-19 pandemic has given a push to the China-Pakistan relations. China's support to Pakistan during the pandemic is not surprising since the more than five-decades-old relationship rests on solid foundations of mutual benefit and strategic convergences. While countries, including India, swiftly moved out its citizens from Wuhan when the crisis began, Pakistan chose not to evacuate its citizens — mostly about 1000 students, to avoid embarrassing China, despite heavy criticism at home. The policymakers in India should be wary of the fact that China is never going to abandon its relations with Pakistan. As Pakistan's economic prospects look bleak, China will be able to wield more control over Islamabad. Pakistan is already receiving much assistance from China, and there is no doubt that China will continue to back them. Without China's aid, Pakistan would find it difficult to achieve much on its own. The dwindling economy is a massive concern for Pakistan. The negative growth is likely to happen across the globe. Pakistan will also

have to deal with the loss of remittances from the gulf and return of migrants.

Conclusion

Due to the COVID-19 pandemic, the world is still in a phase where there is much uncertainty. The COVID-19 crisis is unfolding with unpredictable consequences in the coming months. If Pakistan descends into chaos of any kind, such as economic, political, or social, then there could be a change in the dynamics between Imran Khan and the army. Otherwise, PM Khan is likely to continue.

Also, Pakistan is an essential piece in Chinese strategy. Beijing will never relinquish its support for Pakistan. It is highly likely that Islamabad will pursue more adventurous policies in case chaos develops in the country due to the pandemic crisis. Meanwhile, the relations between the US and Pakistan are more likely to improve in the short run due to the situation in Afghanistan. Also, it is an election year for the US, which will force them to look inward rather than taking the lead in solving global challenges. Pakistan could use the current situation to get more bailouts from the IMF.

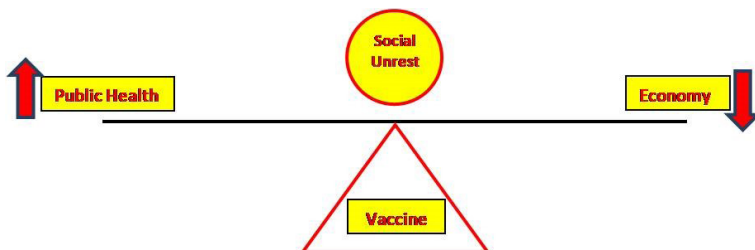
An overview of Geopolitical issues and opportunities for India

Compiled by Col. Jaideep Chanda

Vivekananda International Foundation held an online discussion on 'Geopolitical Dynamics of the Post Covid-19 World' on 29 May 2020. The discussion was moderated by Dr. Arvind Gupta, Director VIF, and the panelists included Lt. Gen. Ata Hasnain, Amb. Kanwal Sibal and Dr. Sanjaya Baru.

Balance of Power and New World Order

The overall sense of the geopolitics as COVID-19 cases escalate seems to lean towards a situation where the balance of power focuses on different regions without compromising on the old world relations. The crux of the issue overall is the balance between public health and the economy, which will impact social harmony in the nations.



The development of the vaccine has already started 'Vaccine politics' that may lead to cooperation or competition since MNCs will gun for profit. Furthermore, internal affairs will take long-needed precedence over external issues. National policies are taking precedence over international policies. Countries more integrated into the global economy will end up being impacted more, and we are now seeing the segregation of geopolitics and geo-economics. The world will see more narrow interpretations of policies, especially in the West. It will, to some extent, get mitigated by the power of the multinational corporations.

Companies and nations which are heavily invested in China will find it difficult to get out of the Chinese market. They may seek to diversify and move out, but the existing investments will likely remain, except in the pharmaceutical sector, which has exposed vulnerabilities in countries like the US.

The essence of the New World Order would be the USA and a China, which is unpredictable and unsure of how far to go and how fast. A new world order based on former superpower rivalries seems unlikely. Comprehensive National Power (CNP) of the USA is too high to be impacted beyond a point. The rise of China is a long term phenomenon, as is the decline of the West. East vs. West rivalry will continue to persist.

China

China's worst fear would be conflict and dilemma, therefore, on whether to renege on the 1991 Hongkong agreement or Taiwan. It will play on the victim perception with 132 countries asking for accountability and answers in international forums. The primary issue China will face is recovering trust in the world.

In the Galwan Valley case, China is trying to recover from an image deficit post the media touted 'defeat' in Doklam. Experts believe that they will go up to a point and not beyond. Meanwhile, the sinking of the Vietnamese vessel and several such acts exposes aggressive Chinese tactics in the South China Sea. The ASEAN will now find it difficult to formulate any Code of Conduct hereafter. India must engage more in the South China Sea.

China also seems to be creating an alternative system of multilateral organisations like the 17+1 dialogue of China with Eastern and Central European countries, China's Dialogue on Asian Civilisations, and many others using the OBOR initiative. OBOR itself has spawned several organisations on tax cooperation, customs cooperation, among others.

China's policies towards India bilaterally or multilaterally are not affirmative. India has got no value from BRICS, RIC, or SCO; instead, these organizations provide more space to China to pursue its ambitions, though they do offer some benefits to India as a platform to air Indian views and concerns. China is aiming to convert economic might into political influence while trying to maintain an innovative advantage over the rest of the world. The Chinese are also trying to create the capacity to influence critical global institutes.

Neighbourhood and Alliances

Countries will face new domestic challenges, which will add to the existing problems, so the functioning of the government machinery one could expect to be revamped. There is a need to make India more attractive and hospitable to draw in investment, especially those wanting to quit China but not Asia. India's neighbourhood policies have mostly been successful. The neighbourhood policy

cannot be judged by Nepal alone. More regional agreements on the lines of RCEP equivalent are required. Just touting India's vast market will not suffice, especially in a post-COVID-19 scenario. The importance of Asia in the future is evident, including the RCEP. India has signed no significant trade agreement in the past few years. There is a need to guard against getting left out of the Asian rise.

Indo-Pacific (including the Middle East)

If India is looking at the Indo Pacific as a strategic area, then it should also start formulating a maritime strategy for the Indo Pacific. To balance that strategy, it should have a trading strategy at place. FTAs and alliances do not impact the informal sector, which is 90 % of our workforce. Thus, job oriented policies are going to be favoured and appreciated. India needs to build its internal strengths to deal with our likely adversaries.

India, the US, and Japanese strategic relationship need to be strengthened, and Russia must feature in India's foreign policy as before. Quad needs to be strengthened, and India has every reason to pursue the Quad, which might lead up to the Indo Pacific partnerships.

A new Arab Spring might be brewing as oil prices have crashed due to the pandemic. Major sporting events like the 2022 FIFA World Cup in Qatar seems to be in trouble.

Need for Technology and traditional energy supplies

We need to guard against the USA, going back to an intrusive and restrictive technology transfer regime. Technology is what India will need right now. Technology is a new battlefield that requires

investment, both public and private if India is to attain 'Atma nirbharta.'

Storage of strategic oil reserves. India has several defunct oil fields, which are potential oil storage sites that can be used for storing our strategic reserves.

COVID-19, an unpredictable factor in US-India relations

Compiled by Aarushi Suri, Harinder Sekhon &
Shreyas Shende

A meeting of the US Experts Group at VIF comprising Director, VIF, Dr. Arvind Gupta, Ambassador Arun K Singh, former Ambassador of India to the United States Former Foreign Secretary, Ambassador Kanwal Sibal, Defence experts Lt Gen Ravi Sawhney, Lt Gen Anil Ahuja, Vice Admiral Satish Soni, former ambassador to China Ambassador Ashok Kantha, Prof. KP Vijayalakshmi (JNU), Mr. Pranav Kumar, Head of the International Trade Division at the CII, Dr. Rudra Chaudhuri, Director of Carnegie India and Dr. Harinder Sekhon, Consultant at VIF, was held to deliberate upon the current global situation in times of COVID-19 pandemic.

COVID-19 is not looking to stop, and it is crucial to deliberate upon the effects of the pandemic on the world order that has started to take shape. Will the spread of the pandemic deal a deathblow to the liberal world order by undermining support for globalization? Is the virus affecting states' sources of material power, and how? Will this challenge be temporary, and would the liberal world order emerge stronger?

The challenge to the US-led Global Order

The COVID-19 pandemic has undoubtedly emerged as a serious threat to the US-led international order with the potential to challenge the global hegemony that was established at the end of World War II. The US, which emerged as the undisputed leader at the end of the Cold War in the 1990s, is today locked in a long-term strategic competition with China for dominance of the international order that the US established, and in turn, helped China to integrate. American global leadership came with added responsibilities and high economic cost due to involvement in international crises. This has caused unease among about 30 to 40% of the American population who began to question the rationale behind American involvement in futile overseas wars with no resultant benefits. It is easy to understand why Americans question involvement in wars that have dragged on virtually since 9/11, with no end in sight, and this has been more visible since the global financial crisis of 2008. The US citizens question the forces of globalization that were unleashed by the USA and have benefited many countries who today challenge it.

Donald Trump capitalized on this sentiment and won the 2016 election on his main campaign rhetoric of “Making America Great Again.” Trump then, and now is also expecting friends and allies like NATO, Japan, and South Korea to spend more for their security needs rather than look to the US to bail them out against Russia and China, respectively. Ironically, given all, its desire to cut back from international engagements and become more domestically focused, the US being hit the hardest by COVID-19 needs its friends and allies to overcome the challenge of the pandemic. While the US will bounce back from the present challenge, it will be a long and arduous path to recovery.

The pandemic has highlighted Trump's inability to work with others. Within the US, there is little or no coordination between the States and the Federal Government to evolve an effective road map to tackle the pandemic or chart out a plan of action for economic activity to resume. The adverse impact on the US economy could have an impact on the outcome of the election.

"America First" will once again become the go-to phrase in the 2020 US election. The challenge for both Trump and the Democratic Party nominee, Joe Biden, would be to shore the manufacturing back to the U.S to rebuild the economy and create jobs. Biden, too is not likely to play a very active international role if elected. He would, although, be less abrasive than Trump and will take steps to rebuild alliances, especially with Europe, so that both the US and Europe benefit economically. The Asia-Pacific focus too will remain as both Russia and China are a challenge in the region. If Joe Biden wins, then the US priorities would be to build bridges with Europe and continue with the focus on the Indo-Pacific.

US policy towards Europe will become crucial if China is to be contained. The US dispensation has been strained. There are challenges within Europe as well. When Italy was first to hit, not all European nations came to its aid, and Germany, in fact, banned the supply of critical supplies. Another example is that of Serbia, a candidate country for the EU, which noted that it was let down by the EU and had to turn towards China for aid. The essence of the EU is free movement of trade and people which is under duress due to the spread of the virus. While Western European countries are cautious about China, Central, and Eastern European countries seem comfortable working with China due to the economic factor. On the other hand, Western European nations are keen on engaging Russia relative to Central and Eastern European countries.

US-China Relations: Future Trajectory

On 'US-China Rivalry and the world after COVID-19 some points raised by Dr. Da Wei (Professor at the University of International Relations, Beijing) at an online event hosted by the Institute of Chinese Studies, New Delhi are relevant to note. Dr. Wei argued that China-US relations are caught in a vicious cycle. While there was a brief moment of hope in January when the two nations signed the first phase of a trade deal, the optimism linked to that deal was misplaced as the two nations have been caught up in politics over the virus. Dr. Wei noted that this state of relations will continue till the election period in the United States (November 2020) and that two possibilities will emerge in the aftermath of the U.S. elections. The first possibility is, a group of China hawks (irrespective of a Trump or Biden presidency) could be in charge of the China policy, in this case, bilateral relations will reach a tipping point, and there will be further deterioration in 2021. The other possibility is a rational foreign policy team will be in place, and if this is the case, there could be space for benign competition between the United States and China.

There is, however, a strong view that benign competition will not be possible because there is bipartisan consensus in the United States that China is a challenge. In the run-up to the elections, China will be a focus for both Trump and Biden. Even if Biden is elected, the United States will continue with a hard line towards China.

While China may have an advantage as of today, the Chinese position will be challenged because there will be a backlash against them. As foreign businesses move away from China, it will mean a decline in the Chinese economy, and its ability to pursue Belt and Road (BRI) projects will be difficult.

Indications are that China may face economic issues in the coming months as it may find itself in a reverse ‘debt-trap’ situation where borrowers will not be able to return the money. If this is the case, China will be under considerable pressure as there was a decision in G20 to put a moratorium on bilateral government loan repayment as part of an “action plan” to tackle the coronavirus. Since China is part of the G20, they will have to follow the rules.

In the wake of Covid-19, we will see a much more assertive China. For China, this is a moment where it can assert itself as it is the first major economy to open up, even in a limited manner, following the pandemic. By hosting the CPC meeting on 22 May 2020 with close to 5,000 delegates, China wants to showcase that it is capable of handling the crisis. China acted in a similarly assertive manner following the 2008 financial crisis. Another example of its assertive behavior is aggressive behavior in the South China Sea.

In the coming months, we are likely to see a battle between two narratives about COVID-19. One narrative is about China’s misinformation as the virus first spread in Wuhan. U.S. President Trump has directly attacked China, stating that China could have contained the virus and slowed its spread had it been transparent. Trump is stating that China failed to contain the virus and should be held accountable. Similarly, Australia has officially requested an inquiry into how China handled the virus, and EU countries might take a similar step.

A counter-narrative is China-led one: China has positioned itself as a global saviour. Senior officials in the Chinese government have directly criticized Trump (this is the so-called ‘wolf warrior’ diplomacy has sanction from President Xi).

In a world after COVID-19, we will see the acceleration of certain trends – intensification of the Sino-US rivalry, shift away from hyper-globalization, move towards protectionism, the inability of international multilateral groups to function properly due to tensions between the United States and China (we have already witnessed how the WHO has been found to be lacking and has been hampered by US-China tensions) and countries making a shift away from China supply-chain. The world post-COVID-19 will be less collaborative, where the greater strategic rivalry between the United States and China ensues.

Geopolitical tensions are likely to continue. While G7 countries were initially wary of pointing fingers at China, French President Macron recently said that China was not transparent and Chinese assertion that it handled the crisis better than democracies is naïve. The UK, similarly, noted that post the crisis, it will not be business as usual with China. The European coverage of China has been negative in the past few months.

China's image has been badly tainted, and there is an increasing understanding and acknowledgment that over-dependence on China is a weakness. The Belt and Road Initiative will be affected, and certain African nations, Kenya, for instance, are already reconsidering BRI projects. China's assertive actions in the South China Sea are, in part, aimed at Indonesia, and this is of concern to India as India is looking to build stronger ties with Indonesia. The fate of RCEP is currently undecided, given Japanese and Australian attitudes.

Options for India:

COVID-19 has been a challenge for India's economic growth, and we must prepare for a lengthy recovery period. Nothing can be

predicted as to how long it would be. For example, Airbus Industries and its long-standing businesses have been dramatically affected due to the pandemic. Global trade will fall, and there will be a sharp rise in US-China tensions. Countries will also begin the process of decoupling away from China, but it will not happen overnight and will require time and investment.

Nevertheless, China cannot be ignored, irrespective of what one's sentiments are, due to the massive financial resources they have. The issue at hand is of steady decoupling away from China. China will not be able to arrest this process, in part due to the way China's political system is structured – heavily centralised around the CCP, mainly Xi.

India faces a tougher challenge compared to the United States, Europe, and Japan because it shares a border and has territorial disputes with China. India is relatively more vulnerable to Chinese pressure and thus has to deal with them pragmatically. In the recent past, China has assertively engaged with India and has been insensitive to some of India's core issues.

Any weakening and limiting of China's influence are in India's vital interest. How can India achieve this? Between outright confrontation and timidity, there is much space for India to act. Experts believe that the time has come for India to shed its diffidence and act with confidence. In the past, too, there were opportunities where India could engage China in a forthright manner, but India chose not to. India's discourse on the Indo-Pacific should be made more explicit. India has been trying to accommodate Chinese concerns about the Indo-Pacific. Henceforth India should delink its Indo-Pacific policy from its relations with China (just as China does with Pakistan in its relations with India). India should work towards strengthening the Quad, and in a toned-down manner (unlike Australia and the

United States), India should support calls for transparency into how China handled the crisis.

In the aftermath of the crisis, American, European, and Japanese capital will look to invest in other nations, and India should work towards attracting this capital, which will require serious domestic policy changes on India's part.

While the United States is a difficult nation to partner with, for India under current circumstances, it is the best partner to guarantee India's long-term interests. While India has provided China with several opportunities to mend bilateral ties, China has chosen to disregard these. In the coming months, India will have to tread on a path full of challenges, which also opens up some new avenues.

Economic Impact:

In terms of lives lost as well as the economic disruption, COVID-19 has had a devastating effect. People are under mobility restrictions. The United States is emerging as the hardest hit with more than sixty thousand deaths and a million infected cases (out of 3 million globally) already. The US economy is projected to contract sharply and see a negative growth rate of 5.9% (IMF) in 2020. A record number of Americans have filed unemployment claims. In the run-up to Presidential elections, the worsening of economic conditions due to the virus outbreak is among the most significant challenges that Trump faces, and experts believe this would result in him focusing his remaining campaign to ride on the anti-China sentiment in the country.

Similarly, other major economies in G20, such as France, Germany, UK, Italy, Japan, South Korea, are also likely to take a massive hit. Large multinational companies have already started witnessing trouble, especially those operating in the worst-hit sectors of

aviation, tourism, and hospitality amidst global travel restrictions. Aerospace manufacturer Airbus, for instance, has lost more than a third of its business. At the same time, British Airways is set to lay off more than twelve thousand employees to cut costs and deal with the business loss due to the COVID-19 pandemic. As countries across the world look towards mitigating the vast uncertainty and unpredictability of the challenge, their focus would remain on first controlling the spread of the virus, and then towards restarting and reviving their economies.

The multilateral trading system was reeling under the pressure of the US-China trade war. Protectionism had become the way forward for economies around the world, and the pandemic would help build the argument of protectionism, which would lead to global trade reducing between 13 per cent to 32 per cent.

China's centrality in global supply chains, raises serious doubts over the future of globalization. While the consequences of the outbreak remain uncertain, experts anticipate greater localization and a shortening of global supply chains. The US-China decoupling is also set to be accelerated in the long run along with a tense geopolitical environment in the Indo-Pacific.

India has to navigate through this complex global scenario with multiple policy approaches. Almost half of India's \$2.7 trillion economy is rooted in external sources, with the US being its largest export market. In the short run, India's growth is set to be seriously impacted by the pandemic outbreak with its GDP projections falling to 1.9% in FY20. This would translate to significant losses in livelihood, income, and revenue, significantly reducing the governments' fiscal space to revive the economy.

India needs to leverage this opportunity to position itself as an attractive alternative destination for foreign capital. Competing with other emerging markets like Vietnam requires India to move beyond the mere projection of its large domestic market and undertake substantial domestic policy reforms. While India's ease of doing business ranking has jumped higher in the past few years, significant concerns remain with regards to regulatory hurdles and infrastructure provisions. Experts also recommend reworking the incentive structure to attract FDI along with bringing in extensive trade policy support to provide guarantees to investors and facilitate a cluster-based ecosystem for integrating into global value chains. Additionally, experts suggest rethinking and expediting long-pending trade negotiations with the European Union and ASEAN countries. Additionally, on the defence manufacturing front, India needs to provide specific industry incentives to encourage participation of domestic producers in critical defence based global value chains.

In the long run, however, India needs to use the disruption caused by the pandemic as an opportunity to bring about a paradigm shift in its economic thinking. Domestic reform should be oriented towards self-reliance and build a sustainable growth model. In the post-COVID world, the focus of India's external engagement also needs to be on harnessing its strengths and charting out an effective solution to emerging non-traditional security (NTS) threats.

Critical sectors such as healthcare infrastructure and bio-pharma industry should form the priority areas for action. The pandemic has brought to surface the vulnerabilities of India's domestic healthcare sector. There is an urgent need for medical and para-medical staff to cater to the vast population. Manufacturing of essential medical devices and equipment needs to be boosted to meet the huge domestic demand. India boasts of a competitive pharmaceuticals

manufacturing industry. The industry needs to be incentivized for further research and development activities and compete with the growing threat from China's pharmaceutical sector.

The pandemic also presents an opportunity to build a resilient economy with strong defence and social sector capabilities. Commercializing indigenous technologies to build large-scale manufacturing capabilities in the areas of aero & defence technology should form an essential policy objective for the government. Self-reliance would not only help in safeguarding India's strategic interests and reducing dependence on China but also present an opportunity for India to leverage its enormous population and bring millions of informal labour force into the mainstream to be a part of the Indian growth story. It would, of course, be imperative for the Government and Industry to collaborate on up-skilling the Indian workforce to this end.

Rethinking India's global engagement would entail reviving global south-south cooperation over non-traditional security threats like pandemics, climate change, and disaster relief. India has already been leading on several such multilateral initiatives like the International Solar Alliance, and should further build upon its existing strengths. India needs to strengthen its economic and trade linkages in the neighbourhood, both to soften the negative impact of the pandemic on global trade, as well as to counter Chinese influence in the region.

The following broad themes need to be factored in while crafting any policy:

- Changing global landscape: There will be a further deterioration in U.S.-China relations and India must find the space between the United States and China in real terms.
- India's economic hurdles: Some Indian analysts are painting

a very rosy picture of what the Indian economy will look in the aftermath of the pandemic. India needs to rethink its current position and plan better for the future – one possible policy suggestion is ensuring that India’s top industrialists, accompanied by a senior cabinet minister, go to countries like Japan where there is capital and formulate ways to bring their business to India. India could also take a lesson from the US policy of sanctioning major relief packages to aid its economy. India needs to reform its trade policy and rethink how it conducts business.

- On enhancing the skills of the up and coming workforce, India must address the matter of working towards skilling its population and how the CSR can be tied into playing a role in training the population. There is scepticism that while India is talking about becoming economically self-reliant, how this will be achieved is still uncertain. Even at the provincial level India has been unable to affect incentive structures to create conditions for self-reliance, so the question is how this will be done at the national stage. The Confederation of Indian Industry (CII) has created a rehabilitation fund, reaching out to private groups as well, to help fund MSMEs. But such efforts must be coordinated at the district level and then expanded following a bottoms-up approach. India needs to focus on better skilling its labour – for instance, during the US-China trade war, companies moved out of China but most went to Vietnam because the latter has better skilled labour.
- India’s Defence and Security Policy: India’s security and defence policy options must be reviewed and India’s approach to its defence industry in the time of crisis needs attention. Comparing Indian policy against American

policy, the United States deemed the defence industry as critical infrastructure (placing more orders with investment, in various sectors, led by the Pentagon) whereas India is cutting the defence budget. While one acknowledges India's limited fiscal capacity, it should work towards incentivising certain sectors within the defence industry where India has a role to play in global supply chains. India's approach towards its defence industries merits discussion within the Ministry of Defence. Given India's attention towards digitalization, how is India thinking about cyber security? This could be honed into India's defence strategy.

- **India's South Asia Policy:** India must pay attention to re-shaping its neighbourhood policy and India must assess as to how it can engage better, and more, with its immediate neighbourhood. While China has significant resources, and is investing in India's neighbourhood, India should work around this. Countries in India's neighbourhood – South Asia minus Pakistan and ASEAN nations – enjoy access to Indian markets and India has a trade surplus with most of these countries (given the small market sizes of most of the neighbours except for Bangladesh). India could explore ways to address the genuine concerns of its neighbours through greater understanding in its policy. There are three prominent Asian players acting in India's neighbourhood – China, Japan and South Korea. India needs to embed itself in the value chain. If one compares the Indian position in the value chain vis-à-vis China, India is sorely lacking in this domain.
- **India in a Post COVID-19 World:** Indian policymakers need to identify key challenges and address them. India has a good record in addressing non-traditional security issues

and the COVID-19 too is a non-traditional challenge India could take the lead in helping shape a global response as it has proven its mettle in supplying generic drugs like Hydroxychloroquine in the current pandemic. As India's defence budget will decrease, it will need to work with other countries to resolve non-traditional challenges – human trafficking for instance – and India should take the lead to ensure that extra regional powers are kept at bay.

Concluding Points

There is no denying that the virus has caused enormous damage, economically and in terms of human lives lost. The world hasn't been able to absorb the costs imposed upon it by the virus and looking ahead, time will be divided into a pre-coronavirus and post-coronavirus phase.

China cannot be seen as a benign actor. It is currently demonstrating an aggressive attitude – for example in the past month China has been intimidating Taiwan, undertaking military actions in the South China Sea, encouraging Pakistan to take positions that are antagonistic to Indian interests and the stance taken by Chinese diplomats (such as the Chinese ambassador in Australia). The key question is how will China be perceived post the pandemic?

On a global scale, countries will have to rethink how global trade is structured. For India, there are two key considerations. How does India think about non-traditional security challenges, including biological challenges such as the present one? Secondly, when India talks about rebuilding its infrastructure, mere focus on roads and airports isn't enough and India should look at its health infrastructure as well and build supply chain infrastructure that would help labour and prevent large-scale migration of labour in search of jobs.

These are still early days to think about a post-COVID-19 world and the thinking is currently evolving. While scholars are talking about globalization coming back in its full form, dealing with global supply chains and the utility of multilateral international groups (SCO, UNSC, the Quad etc), will be questioned. It would be a mistake on India's part if it believes that it will be business as usual.

The current crisis has exposed the bankruptcy of international organizations. While international cooperation is required, India needs to rethink the utility of such groupings and ask what purpose such groups serve for its interests. What does India want from global engagement? India shouldn't contend with just FDI inflows and India's inability to handle the issue of migrant labourers has demonstrated its own limitations.

Self-reliance is key for India and it should work towards this. While India has previously spoken about self-reliance but not done much, the present pandemic is an opportunity for India to put this idea in motion. This must not mean self-reliance in a Gandhian economic sense, but rather one where every Indian citizen is a stakeholder in the actions that India undertakes. India must realize the limitations of hyper globalization and international cooperation.

India will have to rebuild its foreign policy and it will need to build supply chains in its neighbourhood. India will have to work towards reducing its dependence on China and should continue its engagement under the Quad mechanism, but we should also accept that there is limited utility and benefit in working with the Quad. India's first priority should be its domestic policy and its foreign policy should tie into its domestic policy. While India's inattention towards the Quad has been an issue, will India be able to strengthen the Quad on its part in light of defence budgets being decreased in the future remains to be seen. India hosts a major trilateral exercise

with Japan and the United States and a major bilateral exercise with Australia these exercises need to be integrated. Evidently, the Quad platform has been revived to address, and tackle, the pandemic.

India has previously spoken about rebuilding its global cooperation and it should now work on South-South cooperation, engaging with African nations on health issues and economic challenges (as India has expertise and faces similar challenges). While China is looking to work with these nations, India is better placed to engage with them (especially in the health sector).

India has been neglecting its aero and defence infrastructure. There has been talk about bringing in outside technology, India should be working with what it currently has. India now has started inducting the Light Combat Aircraft (LAC) Tejas. India should focus on building upon its current projects rather than focusing on specific foreign equipment to be built here..

Finally, India should also pay more attention to organizations like the National Research and Development Corporation (NRDC) that has commercialized 3,000 technologies in India and most of these have gone into MSMEs. The government, especially after the call of “atma nirbharta” can focus on these technologies, build on it and make it commercially viable for domestic and international markets.

European Union's Post COVID-19 Trajectory

Compiled by Himani Pant

To discuss EU's trajectory in light of these new challenges as well as to deliberate upon the future of its relationship with India, the Vivekananda International Foundation (VIF) organised a virtual brainstorming session on 22 May. The session was led by Director, VIF, Dr. Arvind Gupta, who delivered the opening remarks. Presentations were made by Amb. Kanwal Sibal, Amb, TCA Rangachari, Amb. Arun K. Singh, Amb. Anil Wadhwa, Professor Gulshan Sachdeva, Lt. General Ravi Sawhney, and Amb. Bhaswati Mukherjee.

Crisis in the Union

The European Union (EU) has faced a series of crises in the last decade that have tested its resilience as a supranational entity based on solidarity and shared values. Several of its internal issues remain unresolved, the EU would now have to deal with them amid new disruptions brought upon by COVID-19. The EU's handling of the ongoing pandemic was already under the scanner owing to its failure to come up with concerted action in the initial stage of the COVID-19 outbreak.

The EU was preoccupied with Brexit and the refugee influx via the Mediterranean when it was caught almost off-guard by the outbreak of COVID-19 in Italy. The initial response was spearheaded by member countries, which aimed at shielding one's own country from the contagion given the nature of its open borders and free movement. However, the existing supranational mechanism within the EU meant that a decision by any one country was bound to impact others inevitably, as was evident in the days to follow, a pan-EU response failed to materialise.

On the face of it, the domestic responses were understandable given their sole purview in the health policy of their state. However, what stood out was that those decisions were taken without any consultations with the EU leadership, thereby going against the Commission's stance and principles of European solidarity. The lack of concerted action at the time left the impression that the EU had deserted Italy "in its hour of need." As the virus spread to other member states, the divide only became more apparent. The EU soon began to pull its act together by reprimanding the inward approach of member states announcing relief packages and disagreements among member states with respect to the future course of actions have stood out during negotiations.

Trends shaping the post-COVID-19 in EU

- The Schengen or the free movement arrangement within the EU has suffered a blow and has exposed the fault lines within the EU. Even though the return to the status quo is expected as soon as the virus subsides, the gravity of this disruption would depend upon the second wave of coronavirus outbreak and ensuing border controls. These

border restrictions are likely to harm seasonal migrants from Eastern Europe.

- It is evident that European countries found it hard to deal with the coronavirus pandemic despite their advanced healthcare system. The high death toll in the European countries reflects the ageing demographic profile of the continent. A diminishing host population combined with rising unemployment may have further implications on migrants or 'outsiders' in general. In addition to this, the present disruptions may have significant implications for skilled migrants from Asian countries. The coming years may see more relaxed migration rules for selected sectors like healthcare but greater regulation in other sectors. Since the security of supply chains is expected to take precedence over globalisation and lower cost of production in the post-COVID-19 scenario, it may also prompt withdrawal from some offshore production.
- The old and new European divisions is manifesting yet again. Internal differences arising from different levels of economic prosperity, as well as differing threat perceptions, have reinforced the North-South and East-West divide. These divisions not only make it difficult to reach a consensus on an economic package but also concerning engagement with countries like China and Russia. The trends run parallel to a waning relationship with the United States. A related trend is concerning the revival of the Franco-German 'motor'. The joint call for a European recovery proposal by France and Germany in this respect also gains relevance in terms of ensuring solidarity in a post-Brexit EU.

India-EU, where will it stand post-COVID-19?

So far as the relations with India are concerned, a dynamic India-EU partnership rests on a renewed enthusiasm on both sides. A key determinant for India in this regard would be the extent to which this partnership helps in fulfilling its goal of ‘atmanirbharta’ (self-reliance). There is ample scope for the cooperation given their converging interests and shared values, but requires a fresh streamlining of ideas.

India and the EU lack the political appetite to deal with the free trade agreement at the moment; there is a need to identify a new narrative that goes beyond the stalled trade deal. Thus, it would be prudent to focus more on other viable areas like health, research, and education, environment, including climate change, cybersecurity and other critical areas that elicit mutual benefits. As the two sides plan to go ahead with the postponed summit in the coming months, the need for an in-depth dialogue in these lines has to be envisioned.

To conclude, the EU has weathered several severe crises in the last decade. Although it found it difficult to a coordinated response in the initial stage of the pandemic, the EU is trying hard to uphold its cherished solidarity. The situation has mostly stabilized within the EU, but the region is still not virus free. In the absence of a vaccine, the possibility of a second wave also remains high. Under the circumstances how the EU responds to the upcoming socio-political and economic challenges would also determine its partnership with other countries, including India.

Post-COVID 19- India and the Neighbourhood

Compiled by Cchavi Vasisht

The Vivekananda International Foundation (VIF) organised two discussions on 'Post COVID-19: India and the Neighbourhood' on 11 May 2020 and 18 May 2020. The list of participants included members of VIF and other South Asian experts like Dr. Arvind Gupta, Amb. Ashok Kantha, Amb. Satish Chandra, Prof. S.D. Muni, Lt. Gen. Ravi Sawhney, Dr. Sreeradha Datta. Shri. C D Sahay, Col. Jaideep Chanda, Group Captain Naval Jagota. Admiral Prof. Jayanth Colombage, Amb. Pinak Ranjan Chakraborty, Amb. Ranjit Rae, Prof Rashed Al Mahmud Titumir and Amb. Sambhu Ram Simkhada,

COVID-19 has had severe, devastating effects on the world at large, and South Asia, too, has faced the brunt of the pandemic. The region is already burdened with large populations, and uneven layers of growth and governance have exacerbated this crisis. The governments in the South Asian region have followed the guidelines as mandated by the World Health Organisation (WHO) to control the spread of the virus. The economy of the countries in the region is a collateral damage due to the coronavirus, as most of them are dependent on China.

According to the *South Asia Economic Focus*, a regional update by the World Bank, the countries will face an economic downturn due to the collapse of trade, suspension of economic activity along with stress on financial and banking sectors. The report estimates that regional growth will fall, ranging between 1.8 and 2.8 per cent in 2020, down from 6.3 per cent projected six months ago. The temporary contractions of economies of South Asia have inevitably led to collectively the region's worst performance in 40 years. In case the national lockdowns are prolonged, the worst-case scenario is that the region might experience a negative growth rate.

South Asian countries are performing comparatively well in terms of the number of recovery rates and deaths reported. COVID-19, although, has exposed the vulnerabilities of the economic and health institutions in the region. India has been helping its neighbours in this time of socio-economic distress and will have an important role to play on the road to recovery and, subsequently, post-COVID-19.

The way ahead, as suggested by experts in VIF, is to build supply chains all across South Asia while enhancing investments and connectivity in the region. On health security, more interactions between medical personnel to share their experiences will help cope up with the situation better in the region and adopt best practices. Further on, it is becoming increasingly important to look beyond institutional frameworks like SAARC, BIMSTEC, and BBIN, as institutions based on economic sectors would be beneficial. An example could be the India, Sri Lanka and Maldives grouping for the fisheries sector.

The US-China rivalry will put undue pressure on the South Asian region and the extended neighbourhood. As the US and China duke out their differences, European Union has taken charge in the World Health Assembly and backed a resolution questioning the

origins of the virus alongside a strict assessment of WHO performance in handling the crisis. South Asian countries like India, Bhutan, Bangladesh have supported this resolution, while the US and China have not endorsed it. The proceedings of the World Health Assembly also brought forth the issue of Taiwan's participation, which has been actively blocked by China even when the country issued an early warning against the virus and successfully contained the virus.

The Unpreparedness of the Public Health System

The limited health infrastructure in the region is a matter of concern as cases climb and has exposed the vulnerability due to lower percentages of GDP that have been allotted to public health and related institutions. Bangladesh's public health capabilities are under duress, along with providing basic amenities, education, and social securities. With a population of 160 million, Bangladesh only had 120 ICU beds operational as the crisis was escalating. On the socio-economic side, a large chunk of the population works in informal sectors that lack access to social security benefits. In Nepal's capital, Kathmandu and the Terai region is where the health care institutions are, which would make it difficult for people in other parts of the country to have access to medical facilities of the country.

The positive highlight from the South Asian region is Sri Lanka as the government enforced the healthcare system to control the spread of the virus. Steps were taken immediately after the first case was reported. Formation of Action Committee comprising of health care officials, military personnel, and scientists which later evolved into a Task Force with the military at the helm. Monitoring and screening of individuals at the airports and seaport had started under the, '*to test, trace, treat, and quarantine*' strategy. In India, effective tracking and then, treating individuals is a priority while

upgrading medical facilities as cases are escalating especially in metropolitans like Delhi and Mumbai.

COVID-19 has helped identify the health sector has a common ground for cooperation in the region, especially pharmaceuticals. Essential medical supply production can be distributed in the region, such as face masks, ventilators, and vaccines (India is one of the largest producers of vaccines globally). Bangladesh, too has performed well in the pharmaceutical sector and therefore opens up new areas of cooperation. An India led 'Regional Surveillance System' would help generate information while giving access to the neighbours.

COVID-19 and its Economic Impact

From an economic point of view, South Asian countries are facing a catastrophe extrapolated by inadequate health infrastructure facilities burdened by a high population. The initial curve of the slow growth of coronavirus cases has started to rise, especially in countries like India, Pakistan, and Bangladesh, which have the highest number of confirmed cases. As mentioned earlier, the World Bank has projected growth rates of the region slumping between 1.8 to 2.8 per cent. The economic growth rate projection has not taken into consideration national lockdowns and the closure of borders.

'Economic Disruptions' have become a 'new normal' as various sectors of the economy are adversely affected by COVID-19. Take Bangladesh's economy as an example of how it was pre-COVID-19 and how it might look like post-COVID-19. The factors that were contributing to its GDP were investments by the private sector, consumer spending, government spending, and exports. The investment by private sectors has been stagnating for a few years now. However, it is the rest of the three that will be affected due to the

pandemic. The coronavirus has exposed the structural rigidities of Bangladesh's economy due to excessive dependence on exports, and concentration on few sectors such as garments. In stark contrast to negative growth projections by International Organisations such as IMF, World Bank, and Asian Development Bank to around five per cent growth rate for Bangladesh.

In Nepal, the tourism and hospitality sectors contributes eight per cent of GDP, and the closure of borders, suspension of flights, and countrywide lockdown to slow the spread of the virus will affect these sectors. While Sri Lanka has handled the situation better, the fall in the tourism industry and air travels, reduced scales of shipping, and severe disruptions of small-scale industries have dented their economy while tea plantations, farming and fishing continue. As an import-dependent country, Sri Lanka needs to focus on a new economic model. Bangladesh, too, is facing serious consequences due to a sudden decline in exports.

Remittances are also a matter of concern for all South Asian countries, especially Nepal. Nepal receives its remittances from India and abroad, which contributes to one-third of the GDP. The projection for declines in remittances stands at 14 per cent which has led to an acute shortage of foreign exchange in Nepal, which is an import-dependent country. The issue of remittance also leads to another problem, an impending employment crisis in Nepal. Bangladesh also faces similar issues.

The need to create work for the returnee labour has to be a priority so that there is no livelihood distress. Opening up of economies and borders is immensely important. In Nepal's case, the regions far to the west and the Terai region suffer due to their inability to access India's border markets. The plight of the migrant workers grows as they have been mistreated in this process of economic transition.

The 3R's strategy to address the problems of an economic downturn is 'Relief,' 'Reassure people' of State Responses and 'Recreate employment,' especially in the agriculture sector.

Political Developments in the Region

The increasing impact of the Chinese Government with the Communist Party of Nepal is a cause of concern for India, and a counter-strategy needs to be formulated from the Indian side. In Bangladesh, political disruptions by religious clergies add to the already tense situation due to COVID-19 in the country. The *mehfils*, which have been a significant source of income, have been restrained to implement the lockdown successfully.

India needs to start a dialogue process to resolve irritants that affect its relations with its neighbours. The Kalapani territory dispute has triggered a downslide of relations between India and Nepal. The anti-Indian sentiments are growing in the neighbourhood due to past experiences. Nevertheless, the paranoia might be exaggerated of anti-India sentiments, and all actions of the neighbours must not be seen from this perspective.

China's Assertiveness and its Impact in the Region

China's assertiveness in the region and worldwide has been ongoing since the 2008-09 Global Financial Crisis, which led them to fill the gaps, from where the west withdrew. The assertiveness has grown after Xi Jinping came to power in 2012. COVID-19 has ravaged the world economy. Meanwhile, China's exports have recorded a growth rate of 3.5 per cent in April 2020. In South Asian matters, China's Ambassador to Nepal has had several meetings with the leaders of the Nepal Communist Party and has successfully worked out a compromise between various factions within the party. IncurSIONS by China on the Line of Actual Control (LAC) is becoming

a concern for India, and in extension threatens the peace in the region.

Medical diplomacy by China has had mixed reactions globally. China has sent its medical personnel in various countries as well as exporting essential medical equipment to tackle the coronavirus in close cooperation with its private sector. The downside of medical diplomacy has been reports of the medical equipment being sub-par.

China has now, according to experts, has effectively entered South Asian affairs due to its resources, speed, and efficiency. Concerns have been raised about China's irresponsible management of the crisis and the lack of responsibility of not warning about the growing crisis of the virus in the country. The experience of China's mis-handling might lead to a severe need for recalibration on China's economic involvement, especially in South Asia. Eliminating China's presence is not an option, but strategies on diluting it have to be considered. India has already taken a step in this direction wherein it has reworked its FDI procedures, which does not allow any country which has a border with India to invest without the Indian Government's scrutiny. India has also pro-actively engaged in medical diplomacy.

India's assistance to the neighbours

India's efforts and initiatives at the beginning of the COVID-19 crisis has earned praise domestically and internationally for evacuating Indians and the citizens of neighbouring countries, from across the world. India's capacity and ingenuity to proactively supply medical equipment to its neighbouring countries alongside 76 more despite the crisis at home shows India's commitment to handle and help during an urgent global crisis. India has also adopted medical

diplomacy in terms of providing hydroxychloroquine to SAARC countries like Maldives, Sri Lanka, Bangladesh, Nepal, and Bhutan.

India has to take more responsibility and make efforts to engage with the neighbours as the largest and the dominant country in the region. India has not done enough or Bangladesh, especially during the Rohingya refugee crisis. Experts of the region believe that India works in a regime centric way, which affects the cordial bilateral relations.

As the largest, with a powerful military, India has acted in altruistic ways to provide net security in the region. Prime Minister Modi's call in SAARC nations meet has provided an excellent start to the regional interaction and cooperation. Further on, as a net security provider, India should also take into consideration non-traditional security threats. India has already sent medical experts in the neighbourhood to share their experiences and knowledge. A similar mission on the lines of the *Vande Mataram Mission*, which was to bring back Indians, can be conducted by India to help neighbouring countries like Nepal to evacuate their citizens from abroad.

Exploration of digital space in the field of medical training, education, and tourism are new avenues where cooperation between the countries of the region is essential. Virtual meetings of initiatives like BBIN should take place and should expand to interactions between Ministries of Finance, Health, Tourism, and others to share the lessons learned. The need or more understanding despite irritants would help realise and build upon the civilisational and cultural connection that the neighbourhood shares.

The Way forward for Economies of South Asia

Collaboration and cooperation for better quality engagements are needed as all nations of the region are facing a funds crunch. Cur-

rency swap agreements between central banks, especially between India and Nepal, might help in lowering the pressure on the Nepalese economy. To add on, there is an urgent need to open up land borders to revive the economy keeping in mind the people to people relations, especially in regards to Nepal and Bangladesh. Trade processes are considered crucial, and measures must be in place to take advantage of the current situation, such as giving duty-free access, reducing the cost of transportation, and increasing private investments.

The calls for enhancing trade in the region is growing. Currently trade between neighbouring countries is between 4 to 5 per cent. Building small projects is an alternative suggestion as they have earlier helped in boosting infrastructure and economic needs. The need is to target such projects, which have a short gestation period with low investment needs that yield faster results.

Economic cooperation, unfortunately, hinges on the pending issues between the South Asian countries. Some examples of the issues are the ongoing Kalapani territory issue between India and Nepal, the Teesta river issues between India and Bangladesh, and the fishermen issues between India and Sri Lanka. The issues are manipulated by political regimes based on the social perception of the issues. India must work towards reversing the anti-India sentiments by resolving these disputes, giving countries like China lesser space to enter or interfere in South Asian regional affairs.

Reworking and re-prioritising are needed for the infrastructure projects that have been lying in limbo for long. The disruption Global Value Chains (GVCs) provide an impetus to build up the private sector in each of these countries, as pointed out. However, there is apprehension about the involvement of the private sector in certain quarters of South Asia's experts, especially Indians, who

believe that the Indian Government cannot drive the private sector for strategic interests as done by China. Suggestions like the need for multiple layers of engagements between diplomats and other officials to take up discussions with the neighbours would be an immediate incremental measure. The role of think tanks like VIF to involve in meaningful virtual dialogues between neighbourhoods is an exciting solution.

SAARC: Potential Areas of Cooperation

Prime Minister Modi's call for SAARC countries meeting has been applauded by experts who believe that such initiatives set the stage for further cooperation. The grouping's potential is unmatched, and there is the need call for enhanced regional trade has also grown, which, as mentioned before, stands between 4 to 5 per cent.

In the last two decades, the trade between South Asian countries has been low, and now there is a need to identify the gaps and why they exist. Examples include India not considering importing bicycles from Bangladesh or exploring options to enhance the fisheries sector in the Maldives. The need to develop incremental regional value chains to emerge as "*Atmanirbhar South Asia*." Formation of knowledge partners in South Asia could discuss the different ways of cooperation in such times of crisis. For example, the current times call for a requirement of regional manufacturing of medicines, vaccines, and technology, because there are on-going mutations of the virus, which affects South Asia differently than other developed countries.

The stalling of institutions and processes have been attributed to India-Pakistan bilateral issues, and there is a need to rework on the lines of sub-regional groupings as done by other organisations. Two key areas have been identified for cooperation in SAARC, which is

food security and medicines. Sri Lanka could advance the field of herbal medicines system in close collaboration with India's Ayurveda systems, which is one of the many ideas which are floating but not worked on in the grouping. Myanmar's role has been understated as a vital neighbour of the South Asian region and as a part of the regional integration project, where agriculture produce from Rakhine state could also support the financial viability of the Kaladan Multi-Modal Project.

The efforts to build up the SAARC COVID-19 Fund is considered to be an essential step to bring up funds together in the times of the crisis. As the crisis worsens, the need to follow up and ensure its implementation would lead to the betterment of the SAARC nations. Furthermore, the pandemic is a warning that nature has given to pause and reflect on our actions. Behavioural changes are needed at three levels; individual, institutional, and nation-state. At the individual level, there is a need to reflect on our consumption patterns. The long-term solution is to bring about change in behaviours and refocus on health and food security. The need to work and build on mega visions for promoting regional infrastructure would help to establish leadership for the collective security, dignity, and responsibilities for the region and the world.

Working and cooperation would yield results and would help in strengthening the institutional framework of SAARC, which has been held hostage time and again. The post-COVID-19 world is years away and not just a few weeks or months but gives enough time to rework on the overall socio-economic development of the region and to build its thinking on the culture and civilization, which has a long history of existence.

About the VIVEKANANDA INTERNATIONAL FOUNDATION

The Vivekananda International Foundation is an independent non-partisan institution that conducts research and analysis on domestic and international issues, and offers a platform for dialogue and conflict resolution. Some of India's leading practitioners from the fields of security, military, diplomacy, government, academia and media have come together to generate ideas and stimulate action on national security issues.

The defining feature of VIF lies in its provision of core institutional support which enables the organisation to be flexible in its approach and proactive in changing circumstances, with a long-term focus on India's strategic, developmental and civilisational interests. The VIF aims to channelise fresh insights and decades of experience harnessed from its faculty into fostering actionable ideas for the nation's stakeholders.

Since its inception, VIF has pursued quality research and scholarship and made efforts to highlight issues in governance, and strengthen national security. This is being actualised through numerous activities like seminars, round tables, interactive dialogues, Vimarsh (public discourse), conferences and briefings. The publications of VIF form lasting deliverables of VIF's aspiration to impact on the prevailing discourse on issues concerning India's national interest.



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