Economic Outlook for the Asia-Pacific Region with special reference to India

Special Interactive Session with
Dr. Changyong Rhee,
Director (Asia and Pacific Department), IMF
May 11, 2020

Outcome Report

Contents

The Context

The covid-19 pandemic has been of unparalleled stature. The crisis, which began as a fallout on the health front, in no time has magnified into a full-blown economic crisis. With social distancing being the only plausible solution, the countries have had no option but to undertake lockdowns and seal international borders – brining economic activity to a near standstill.

The scale of slowdown across countries has been unprecedented and the global economic outlook has been adversely hit. The IMF in its World Economic Outlook announced last month (April 2020) estimated world output to decline by 3.0% in 2020 before noticing a recovery in 2021.

Asia, which has been the engine of global growth in recent times – being home to the world's two fastest growing economies - China & India - is likely to witness zero percent growth in 2020. This, in itself, is unprecedented.

Though China has been successful to a large extent in stopping the spread of the pandemic and has initiated economic activity once again, other countries in the region are still struggling to cope with the rising number of cases.

While India has been able to limit the pandemic spread curve through stringent lockdown measures, the country's economic activity has been hit significantly. India is expected to witness negative growth in the year 2020-21 – which will be the first time in about 40 years.

Amidst the current state of affairs, FICCI & KAF jointly conducted a session on 'Economic Outlook for Asia-Pacific Region with special reference to India' with experts from the International Monetary Fund to gain better insights into the future of the global economy with emphasis on the Asian economies and India.

Programme Overview

Special Interactive Session with
Dr Changyong Rhee, Director (Asia and Pacific Department), IMF
on
'Economic Outlook for the Asia-Pacific Region with special reference to India'
11th May 2020
5:30 p.m. – 7:00 p.m.
Agenda

Time	Particulars
5:30 – 5:40 p.m.	Participants to join the webinar over the CISCO WebEx Platform
5.40 – 5.45 p.m.	Welcome by **Dr Sangita Reddy**, President, FICCI
5:45 – 6:10 p.m.	Presentation by **Dr Chang Yong Rhee**, Director, Asia and Pacific Department, IMF and **Dr Ranil Salgado**, Mission Chief for India, Asia and Pacific Department, IMF
6:10 – 6:55 p.m.	Question and Answers / Interaction with Participants **Dr Chang Yong Rhee**, Director, Asia and Pacific Department, IMF **Dr Anne-Marie Gulde**, Deputy Director (Asia and Pacific Department), IMF **Dr Ranil Salgado**, Mission Chief for India, Asia and Pacific Department, IMF
6:55 – 7:00 p.m.	Vote of Thanks by **Mr Peter Rimmele,** Resident Representative to India, KAS

Session moderated by Mr Dilip Chenoy, Secretary General, FICCI

Glimpses

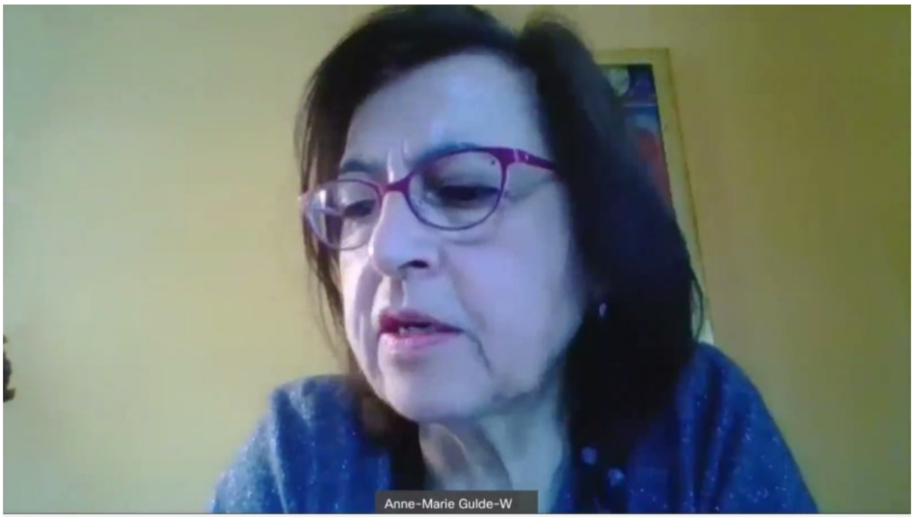
Dr. Changyong Rhee, Director, Asia and Pacific Department, International Monetary Fund

Dr. Sangita Reddy, President, FICCI

Mr. Dilip Chenoy, Secretary General, FICCI

Dr. Ranil Salgado , Assistant Director, Asia and Pacific Department, International Monetary Fund

Glimpses



Dr. Anne-Marie Gulde, Deputy Director, Asia and Pacific Department, International Monetary Fund

Mr. Peter Rimmele, Resident Representative, Konrad-Adenauer-Stiftung Office, India

Key Statements

"Corporations are thinking through new business models each day to navigate this new normal", **Dr Sangita Reddy, President FICCI**

"Using digital means will be the way forward and will create multiple new business opportunities", **Dr Sangita Reddy, President FICCI**

"Unlike during the global financial crisis, Asia's real sector has been hit hard this time due to strict containment measures. Asia has never experienced zero growth in the last 60 years", **Dr Changyong Rhee, Director, Asia and Pacific Department, International Monetary Fund**

"Saving lives is of utmost importance and therefore enhanced investments in the health sector is the need of hour", **Dr Changyong Rhee, Director, Asia and Pacific Department, International Monetary Fund**

"Asia has to rely on whatever it takes approach, considering their policy space and constraints, to avoid mass unemployment at this juncture", **Dr Changyong Rhee, Director, Asia and Pacific Department, International Monetary Fund**

Key Statements

"Central Banks and IMF should work hard to maintain the functioning of markets and stability in exchange rates. Domestic demand will need to be supported once recovery starts", **Dr Changyong Rhee, Director, Asia and Pacific Department, International Monetary Fund**

"Signs of recovery are visible with the lockdown norms starting to ease. India's growth is expected to rebound in the next fiscal year", **Dr Ranil Salgado , Assistant Director, Asia and Pacific Department, International Monetary Fund**

"Little exposure to foreign debt and large foreign exchange reserves give India a substantial external buffer which could help the country respond to the crisis more effectively", **Dr Ranil Salgado , Assistant Director, Asia and Pacific Department, International Monetary Fund**

"South Asia would need to become one of the growth engines not just for Asia but for the entire world", **Dr Anne-Marie Gulde, Deputy Director, Asia and Pacific Department, International Monetary Fund**

"Companies are reconsidering their international supply chains. This time long term supply security is being valued more than just cost efficiency as was the case in the past", **Mr Peter Rimmele, Resident Representative, Konrad-Adenauer-Stiftung Office, India**

Key Takeaways

✓***Asia's growth projected at 0% for the year 2020*** which is not only worse than the 4.7% growth rate observed during the Global Financial Crisis but also worse than the 1.3% growth observed during the Asian Financial Crisis in 1997

✓***Asian economies are performing better than other countries especially advanced countries*** which have witnessed sharper contractions in their growth forecasts. Slowdown in advanced countries this time is far greater than that witnessed during the Global Financial Crisis

✓Chinese economy along with many East Asian economies will be affected by the slowdown in global growth. This is likely to have a strong implication ***on global trade*** as well which ***is expected to decline by 10% in 2020***

✓IMF in April 2020 forecasted ***a partial recovery in the global economy starting H2 2020***. It also predicted a relatively sharp recovery in 2021 with Asian growth estimated at over 7.0%. However, this is based on the assumption that the government stimulus packages will work to uplift economies and that the virus would peak in the second quarter of 2020

✓Governments, economies, individuals and corporations are working collectively to find ways to re-accelerate the economy

✓***Providing targeted support is critical at the moment***

✓***South Asia has the potential to become one of the growth engines*** not just for Asia but for the entire world

Key Takeaways

✓***Central Banks could use their balance sheets more flexibly to support MSMEs*** and to help fund the large fiscal expenditure

✓While Governments in the short run have to undertake aggressive fiscal policy, it will be very ***important to have a credible medium-term plan to make the fiscal more sustainable***

✓A recent ***survey conducted by FICCI reported that over 70% of the industry participants have been severely impacted by the Covid-19 pandemic*** and the consequent lockdown. Moreover, almost 68% of the respondents to the survey said they would witness a de-growth in sales in the current year

✓A significant impact on consumption as well as manufacturing has been observed in India. ***Incoming data on high frequency indicators showcases a fairly dramatic hit on the Indian economy*** during the lockdown phase. Manufacturing and Services PMI numbers have come at record lows

✓Though RBI is undertaking longer term repo operations to increase liquidity in those sectors, which have a larger need at the moment including NBFCs and mutual funds, the ***situation warrants further monetary easing***

✓Fiscal space in India is extremely limited. However, there is an ***urgent need to support vulnerable households, healthcare sector and MSME firms***

Key Takeaways

✓It is ***important that India chalks out a detailed and credible fiscal consolidation plan*** along with announcing any fiscal stimulus. This would soothe concerns of the market and would ultimately help India in borrowing

✓Despite weak trade growth observed in March and the country experiencing capital outflows, ***India enjoys a relatively strong external sector***. Lower oil prices would further help manage India's current account deficit

✓***In order to strengthen its manufacturing base and utilize its growth potential to full, India needs to rectify various obstacles on the factor market side***

✓***India has a highly regulated labor market*** which prevents firms from hiring and firing flexibly. While adequate labor protection is necessary, it should not hinder flexibility. Another major constraint for firms in India is in the area of land rights and land acquisition

✓***Careful assessment of the business environment, including assessing many other small regulations in the country is the need of hour***

Introductory Remarks

Mr. Dilip Chenoy, Secretary General, FICCI welcomed everyone to the special interactive session. He set the tone of the session by laying out the broad agenda and formally introducing all the speakers.

Mr. Chenoy invited Dr. Sangita Reddy, President, FICCI to deliver the welcome address.

Welcome Remarks

Dr. Sangita Reddy, President FICCI extended a warm welcome to the International Monetary Fund team and to all the participants who had joined the discussion.

In her opening remarks, she reiterated the difficult times that have engulfed the world in wake of the Covid-19 pandemic. She added that the crisis has forced us to adopt social distancing but has also brought us together in so many ways to find solutions to a common problem. The governments, individuals and corporations were working collectively to find ways to re-accelerate the economy – which is encouraging. She added that corporations in particular are thinking through new business models each day to navigate this new normal. One should be appreciative of the changing environment and reaching the potential new normal will take 12-18 months.

Citing a quote she had read, Dr. Reddy said that "When the winds of change are blowing some people put up walls but others find ways to build windmills. Digital is one of this windmills that is finding a way to connect us and is creating multiple new business opportunities."

Talking about FICCI's initiatives to deal with the situation, Dr. Reddy said that the institution has been at the thick of things in terms of understanding the problems of not just its members but also the economy at large. In fact, citing a recent survey conducted by the chamber, she added, that over 70% of the industry participants have been severely impacted by the Covid-19 pandemic and the consequent lockdown. Moreover, almost 68% of the respondents to the survey said they would witness a degrowth in sales in the current year.

Welcome Remarks

Nonetheless, Dr. Reddy said that she is convinced about the tremendous potential India possessed despite the significant fall in global as well as domestic growth projections.

Thereafter, she invited Dr. Changyong Rhee for his comments and suggestions on how the world and particularly India could recover from the huge losses the pandemic has caused.

She appreciated the role IMF plays at the global stage and acknowledged the balancing act that IMF continuously performs.

Key Speeches

Dr. Changyong Rhee, Director, Asia and Pacific Department, IMF

Dr. Changyong Rhee said that he was honored and glad to share IMF's views on the impact corona virus has had globally.

Talking about Asia's growth expectations, Dr. Rhee highlighted that the region's growth was forecasted at 0% for the year 2020 which was not only worse than the 4.7% growth rate observed during the Global Financial Crisis but also worse than the 1.3% growth observed during the Asian Financial Crisis in 1997.

Unlike during the Global Financial Crisis, Asia's real sector has been hit hard this time around due to strict containment measures. He emphasized that this drastic fall (a swing of about -6.3%) in growth expectations for the region was witnessed within months. Asia has never experienced zero growth in the last 60 years.

However, despite the gloomy state of affairs, Dr. Rhee pointed out that Asian economies were still performing better than other countries especially advanced countries including US and Europe, which have witnessed sharper contractions in their respective growth forecast.

While domestic containment has had an impact across sectors, negative impact from low growth in advanced economies will play an important role in assessing global growth conditions. Slowdown in advanced countries this time is far greater than that witnessed during the Global Financial Crisis.

In fact, stronger than predicted decline in Q1 growth in the US and European economies will lead to downward revisions in the upcoming IMF's growth projections.

Key Speeches

Dr. Rhee added that although China's performance has broadly been in line with expectations, the Chinese economy along with many East Asian economies will be affected by the slowdown in global growth. This is likely to have a strong implication on global trade as well which is expected to decline by a whopping 10% in 2020.

Even though Asia has managed to contain the pandemic somewhat successfully, however as long as the virus remains present globally, trade will recover very slowly and will act as a strong headwind to Asia's recovery going forward.

While China was able to pull up its growth after the 2008 financial crisis on the back of a massive fiscal expansion, unintended negative impact of the stimulus started to show up in the following years. With lessons learnt the hard way, it is highly unlikely that China will yet again undertake an extraordinary fiscal support to bail its own economy or the Asian economy out of recession. The Chinese government has been very cautious and has announced a fiscal package to the tune of 4% of GDP till date.

Dr. Rhee pointed out that the IMF in April 2020 forecasted a partial recovery in the global economy starting H2 2020. It also predicted a relatively sharp recovery in 2021 with Asian growth estimated at over 7.0%. This was based on the assumption that the government stimulus packages will work to uplift economies and that the virus would peak in the second quarter of 2020. However, he cautioned that large uncertainty looms around this forecast with no positive sign visible yet.

Nonetheless, there have been signs of stabilization in the global financial markets recently after much turmoil. Capital outflows in emerging markets, including India, were much stronger in the initial days of the pandemic spread than that noticed during the initial impact of the Global Financial Crisis.

Key Speeches

Expansionary policies by advanced economies have led to improvement and stability in the global financial markets. However, Dr. Rhee warned that worsening of the current situation might restart capital outflows from emerging nations. Continuation of extraordinary monetary policy by advanced nations will cause global interest rates to remain lower for an extended period.

This can lead to increased chances of risk-taking behaviors and result in unintended consequences of 'too large too loose' monetary policy. Suggesting ways to combat the current situation, Dr. Rhee said that saving lives was of utmost importance and he therefore called for enhanced investments in the health sector.

He added that this must be done in tandem with saving livelihoods of those people who are infected by disease. He stressed that providing targeted support was critical at the moment and added that many Asian countries are in a dilemma about following whatever it takes approach to come out of the crisis. On the monetary policy front, Dr. Rhee suggested that since most Asian countries do not have internationalized currencies, they are at a disadvantageous position as they cannot print money to save their economy like the US or European countries.

Mr. Rhee emphasized that inspite of being slightly disadvantaged; Asia has to rely on whatever it takes approach, considering their policy space and constraints, to avoid mass unemployment at this juncture as it can scar the vulnerable sections of the society - which is going to be risky. He recommended undertaking a targeted approach for transfers as well as using as much liquidity support as required especially swaps. In addition, some temporary and targeted measures for capital flows could be used whenever needed which must be reversed when the crisis is over. Moreover, Asian countries have large domestic savings that could be used wisely.

He also suggested that the Central Banks could use their balance sheets more flexibly to support MSMEs and to help fund the large fiscal expenditure. At the same time, while Governments in the short run have to undertake aggressive fiscal policy, it will be very important to have a credible medium-term plan to make the fiscal more sustainable.

He believed that the Central Banks and IMF should work hard to maintain the functioning of markets and stability in exchange rates. Domestic demand will need to be supported once recovery starts.

Key Speeches

Dr. Ranil Salgado, Assistant Director, Asia and Pacific Department, IMF

Dr. Ranil Salgado specifically addressed recent developments and the situation in India. He said that the latest forecasts by IMF lowered India's growth projection by about 5.0% which resonates with the downgrade done for Asia on a calendar year basis. Growth in India was already slowing, reflecting the difficulties in the NBFC sector over the last two years and a weaker private consumption demand.

Speaking on the recent progress related to Covid-19, Dr. Salgado felt that initially during the lockdown, growth rate of cases came down significantly in India. However, despite being proactive with steps to contain the virus, numbers have risen slightly over the last ten days which is a matter of concern. While difficulties associated with containing this virus are well known, this increase could be partially attributed to the fact that India has scaled up its testing rates.

On the other hand, a significant impact on consumption as well as manufacturing has been observed in the month of March. Incoming data on high frequency indicators shows a fairly dramatic hit on the Indian economy during the lockdown phase. Manufacturing and Services PMI numbers have come at record lows.

However, Dr. Salgado remarked that some signs of recovery are visible with the lockdown norms starting to ease. And India's growth was expected to rebound to 7.0% in the next fiscal year. This forecast was made on the assumption that the lock down would remain for eight weeks.

On the policy front, Dr. Salgado stated that substantial easing in monetary policy was observed with the RBI reducing the repo rate even before the Covid-19 shock. However, since Covid-19, the policy action has been even more intense with the repo rate being revised downwards by 75 bps.

Furthermore, the RBI is also undertaking longer term repo operations to increase liquidity in those sectors which have a larger need at the moment including NBFCs and mutual funds. He suggested that the situation warrants further monetary easing and was encouraged that the RBI has already signaled in that direction.

On the fiscal policy front, Dr. Salgado highlighted that the fiscal space in India was extremely limited. However, he believed that there was an urgent need at the moment to support vulnerable households, healthcare sector and MSME firms to avoid scarring issues in the vulnerable section of the society.

Dr. Salgado recommended that given the underlying fiscal issues in India, it would be important for India to chalk out a detailed and credible fiscal consolidation plan along with announcing a fiscal stimulus. This would soothe concerns of the market and would ultimately help India in borrowing.

Lastly, Dr. Salgado highlighted one of the major issues facing India in the form of stress in the financial sector which initially started in public sector banks and then in the NBFC sector. He opined that the RBI's measures to ensure liquidity in the financial sector and announcement of loan moratorium could weigh on banks and NBFCs in terms of deterioration in their asset quality in the long run.

However, he pointed out that India enjoyed a relatively strong external sector, despite weak trade growth observed in March and the country experiencing capital outflows. Lower oil prices would further help manage India’s current account deficit.

Alongside, little exposure to foreign debt as well as very large foreign exchange reserves gives India a substantial external buffer which could help the country respond to the crisis more effectively.

Key Speeches

Dr. Anne-Marie Gulde, Deputy Director, Asia and Pacific Department, IMF

Dr. Anne-Marie Gulde informed everyone about the ongoing research project on growth potential of South Asia that IMF is currently involved in. While the project pre-dates the Covid-19 crisis, it has become even more important and relevant in the present context.

Elaborating on the findings, Dr. Gulde said that the research revealed huge growth potential that South Asia possessed. She emphasized that South Asia would need to become one of the growth engines not just for Asia but for the entire world.

As for India, rectifying various obstacles, basically on the factor market side, needed urgent attention if it wanted to strengthen its manufacturing base and utilize its growth potential to full.

She mentioned that India had a highly regulated labor market which prevented firms from right-sizing the labour force as per market condition. While adequate labor protection is necessary, it should not hinder with flexibility. Another major constraint for firms was in the area of land rights and land acquisition. In addition, trade issues were also observed as a hindrance.

In addition, Ms. Gulde highlighted that imported inputs in India were taxed much higher as compared to other countries and often the taxes were more than those on imports of finished goods. She believed that this was one of the chief obstacle in the growth of firms and manufacturing in the country.

Key Speeches

Moreover, careful assessment of the business environment, including assessing many other small regulations in the country would also be required to support manufacturing.

In her concluding remarks, Dr. Gulde said that it was also important to focus on education issues. While India has a world class tertiary education system, which has led to highly competitive export of services, primary and secondary education for broader groups of the population remain a major constraint that needs urgent attention.

Interventions

Q. Many governments have very high fiscal deficits, including PSU borrowings and Central & State budget deficits. How do you think we can monetize to increase government spending?

A. Monetization of government deficit is a sensitive issue. Advanced economies are not directly undertaking monetization but an unconventional quantitative easing. However, a larger pressure emerges in Asia if the deficit is monetized. As Asian countries increase fiscal deficit, long term interest rates will start to increase, especially due to pressure in fiscal spaces. Asia does not enjoy the luxury that advanced economies do. In the latter, internationalized currencies along with very low inflation levels ensure that the pressure on the exchange rate and external market is very light when they print money to monetize their deficits. Conversely, if Asian economies follow that route, the possibility that monetization would not lead to higher inflation going forward cannot be ruled out - given that inflation is already on the higher side in these economies.

Therefore, Asian economies will have to think of a different strategy. One could be yield curve targeting similar to what Japan is currently doing. If a government needs to issue large amounts of government bonds, a more segmented intervention will be required to partially prevent a spike in interest rates of those bonds. Central bank can intervene in some quasi-fiscal act which would reduce some pressure om the government.

A temporary solution wherein the Central Bank intervenes in the secondary market (and not primary) to purchase bonds would be more fundamental. However, since this comes with some amount of risk, governments would do better to provide some kind of guarantee. US and UK at this moment are providing about 10% of credit guarantee to central bank for purchase of risky assets including loans with the MSMEs, paycheck support etc.

This could be a good way for maintaining Central Bank independence as well as in avoiding some kind of immediate increase in interest rates. This policy needs to be supported by a medium-term credible solution for fiscal consolidation, without which, it will fail to work.

Q. What is the ball-park range for the extent of fiscal stimulus required by the government to be able to stop this recessionary trend?

A. The answer to this question would be very country specific. By looking at the fiscal measures undertaken by advanced economies, IMF feels that fiscal activities could be measured in two ways. One is more bread and butter type fiscal policy such as subsidies, spending on infrastructure etc. However, there is also some quasi-fiscal activity in the form of loans and guarantees and so on. If the numbers are looked at carefully, one would notice that the extent of pure fiscal activity in the US is around 8.0% of GDP. Including quasi-fiscal measures to the above increases the number quite significantly (to well over 15.0%). All inclusive fiscal measures for other countries such as Germany and Japan is well over 30.0% and about 20.0% respectively. On the other hand, the extent of pure fiscal activity in emerging markets is about 2.0% which could increase to about 3.0% if second round of fiscal measures are undertaken. This figure is likely to remain below 5.0% even if quasi-fiscal measures are included. The huge variation in numbers in advanced economies as well as emerging economies is purely based on two factors - whether or not the domestic currency is internationalized and availability of fiscal space. Lower extent of fiscal stimulus in emerging markets as compared to the advanced economies does not mean that they are not doing much to revive their economies. It is mainly because of policy constraint, unavailability of internationalized currency and threat of credit rating downgrade. Emerging markets are faced with more pros and cons.

Interventions

The magic number, therefore, depends on two things- a country's current situation and the trade off between more expansionary fiscal policy and its impact on external market, especially exchange rate pressures.

For India, the package and headline numbers of 1.1% of GDP of general government level stimulus is on the lower side. IMF feels that an additional fiscal stimulus to the tune of 1.5% of GDP at state and central government level is necessary for supporting households. This is also dependant on the extent to which the lock down continues.

Assessing the fiscal support for firms in India is a bit more difficult due to lack of data on MSMEs. However, it is assumed that a stimulus of similar measure to that reserved for households would be required for small firms as well.

The stimulus can be channeled through the financial system with the government undertaking the first loss. A part of the fiscal cost would ultimately be contingent, and the other part would be smaller as a kind of a fiscal backstop. While an expansionary fiscal stimulus for households will be required, it would be more on contingent basis at the firm level.

Q. How much space is there for India to increase its deficit without threatening a downgrade on ratings? Should the rating agency put hold on ratings revision for the next one year given the current environment we are in?

A. This would be based on India's ability to come up with a credible and a detailed medium-term fiscal consolidation plan to manage its debt once the Covid-19 crisis is over.

Rating agencies are not looking at one-year government deficit. Inclusion of more permanent measures, as against temporary ones, in fiscal stimulus package will negatively impact ratings due to the politics surrounding it. While it is inevitable that some fiscal support is needed at this time, it needs to be backed with a proper consolidation plan. This would help mitigate the risk of a rating downgrade and bring better confidence in the market. Additionally, enhanced fiscal transparency will also help in building credibility.

Q. The current healthcare spend in India is about 1.3% of GDP. What should it be in the post Covid crisis and what are the options to generate that kind of investment?

A. As per IMF's estimates, 0.1% or so will be required to scale up healthcare from the crisis perspective. Post that, healthcare is an area where India will have to significantly scale up its expenditure. Even though the country has a young population at present, over the next 20-30 years it does face a population ageing issue. Given that healthcare expenditure in India is relatively low as compared to other countries, a substantial increase will be required over the medium term.

Q. Looking forward to recovery phase, what should India do to become more attractive to investors leaving China and become an important part of the global value chains?

A. Changes in global value chains in China already started long before the Covid-19 outbreak, not only because of an increase in wage rates, but also due to China upgrading its own value chain. Therefore, many international businesses operating in China are contemplating on whether they should move their labor-intensive industries to the west or to other ASEAN nations.

This can be an opportunity for India and many ASEAN countries. On the other hand, there has been an emergence of a new value chain in China, even before the outbreak of the pandemic. China has now become the consumer of the world rather than the factory of the world. They are looking at more high-quality consumption.

Till now, we have been focusing on supply chains of manufacturing goods only. But the pandemic has taught us that the global value chains of services products such as medical products, tourism etc. will change drastically and we will have to look at that. Since India is very strong in services sector, it should emphasize more on internationalizing its services sector rather than focusing only on manufacturing. This could be a very interesting change to look at both for India and the world.

Q. Getting Indian economy back on track needs a demand revival. Urban India is still in some sort of paranoia while rural India is somewhat less impacted. What are your thoughts on stimulating growth through farm productivity, food processing and rural infrastructure? Will multilateral agencies such as the IMF consider concessional funding programme to developing countries like India for their economic rehabilitation post Covid lockdown?

A. There is significant scope in rural India, particularly in agriculture. Therefore, some of the other elements you mentioned such as rural infrastructure will be very important.

Additionally, issues related to land rights and titling would also need to be sorted. Improving rural productivity is a long-term issue in terms of creating jobs for rural workers, not just in agriculture but also in ancillary industries including food processing which is both agriculture and manufacturing. This is a crucial area for India given that agriculture is a substantial part of the economy.

Interventions

While productivity can be increased, opportunities other than agriculture must also be made available to rural workers.

On funding requirements, IMF is not the right platform as it is not a development agency. World Bank and ADB are the organizations that provide funds for development purposes and for Covid-19 related support. On the other hand, IMF largely provides money to stabilize the markets in macro sense.

Q. How can India protect livelihoods and its MSMEs in the current scenario and simultaneously get integrated into the global value chains? What can the government do to support this?

A. Enhanced competition, and not protection, is the need of the hour in order to develop India’s manufacturing sector as developing world class manufacturing requires competition.

Integration into the global value chains will only come if India first integrates itself domestically. In this regard, introduction of GST was a good step towards internal integration.

In addition, liquidity constraints of small and medium firms need to be resolved at the earliest. While measures to support individuals are needed in the short run, structural reforms will be the way forward in the long term.

Vote of Thanks

Mr Peter Rimmele, Resident Representative Konrad-Adenauer-Stiftung Office, India

Mr Peter Rimmele delivered the vote of thanks. He expressed his gratitude for the insights shared by all three representatives of the IMF – Dr Changyong Rhee, Dr Anne Marie Gulde and Dr Ranil Salgado. He also thanked FICCI for their continued association with KAS for conducting events which are fruitful to all.

He acknowledged that the discussions provided useful inputs to India for shaping its strategic decisions. Mr. Rimmele highlighted that the structures of the world economy were changing. Not only was growth going down, but a trend of de-globalization was also being witnessed. Governments across the globe, including India, are being protectionist. He believed that this was a wrong strategy for the long term.

Mr. Rimmele said that companies were reconsidering their international supply chains. This time long term supply security is being valued more than just cost efficiency as has been the case in the past. He remarked that most economists agreed that governments were doing the right thing in putting a lot of money into recovery and stimulus measures. He also referred to Dr. Rhee's suggestion on adopting the approach of whatever it takes as the right strategy in the current times considering policy constraints.

However, Mr. Rimmele was unsure about who would ultimately bear the cost of reversing the stimulus. He cited former IMF Chief Economist Dr. Olivier Blanchard's simple formula to deal with debts. According to the formula, if the interest rate was lower than economic growth, a state could be indebted without risking demise which could include ratings issues as well.

Vote of Thanks

Mr. Rimmele suggested that historically, this difference empowered many European states to reduce their bond related debt burden and that the same mechanism could work to reduce corona related state debts as well.

He stressed that this was an area where governments needed to focus, by taking all stakeholders including industry and associations on board, to ensure that there is healthy balance between the growth rate and interest rate.

On the trade front, Mr. Rimmele said that Germany has been India's largest trading partner in the European Union. He emphasized that extensive trade was an instrument for growth and is the need of the hour. Given the current situation, we could look at an instrument - in the form of a Free Trade Agreement (FTA) between EU and India which has been long pending and can be utilized to overcome the crisis. He stressed that EU-India partnership could serve as the key to a balanced and multi-polar global order. It could be an instrument contributing to recovery and growth of trade in India and the EU. However, this potential remains unrealized.

In his concluding statement, Mr. Rimmele said that the EU- India FTA is particularly important and should be given special attention by the EU. EU must work on a coherent external trade and investment strategy in South Asia, particularly vis-à-vis the US and China which are on one hand important trade partners for the EU and on the other hand strong competitors in the Asian region.

Speaker Profiles

Dr Changyong Rhee
Director, Asia and Pacific Department
International Monetary Fund

Changyong Rhee is the Director of the Asia and Pacific Department at the IMF, where he oversees the Fund's work on the region, including its lending operations and bilateral and multilateral surveillance of economies ranging from China, Japan, and India to the Pacific Islands.

Prior to joining the IMF in February 2014, Dr. Rhee was Chief Economist of the Asian Development Bank (ADB); Secretary General and Sherpa of the Presidential Committee for the 2010 G-20 Seoul Summit; Vice Chairman of the Financial Services Commission (FSC) and Chairman of the Securities and Futures Commission of Korea; Professor of Economics at Seoul National University and the University of Rochester. He has also been a frequent policy advisor to the Government of Korea, including in the Office of the President, the Ministry of Finance and Economy, the Bank of Korea, the Korea Securities Depository, and the Korea Development Institute.

Dr. Rhee has published widely in the fields of macroeconomics, financial economics, and on the Korean economy. He holds a Ph.D. from Harvard University and an undergraduate honors degree from Seoul National University, both in economics.

Speaker Profiles

Dr Anne-Marie Gulde
Deputy Director, Asia and Pacific Department
International Monetary Fund

Anne-Marie Gulde, a German National, is a Deputy Director of the IMF's Asia and Pacific Department (APD). She is directly overseeing the Department's work and policy priorities on South Asian countries (India, Bangladesh, Bhutan, Nepal, Maldives, Sri Lanka) and on several East Asian Countries (Cambodia, Laos, Vietnam). as well as the department's work on financial sector issues. Before joining APD in 2019 she was Deputy Director in the African and earlier in the European Department, and previously held a division chief position in the Monetary and Capital Markets Department.

Dr. Gulde studied Economics, Political Science and History in Tuebingen, (Germany), St. Louis (USA), and Kiel (Germany) and holds a PhD in international economics from the Graduate Institute of International Studies in Geneva (Switzerland). She has published widely on different topics in international economics, with a focus on exchange rate regimes, currency boards, and financial stability and development issues.

Speaker Profiles

Dr Ranil Salgado
Assistant Director, Asia and Pacific Department
International Monetary Fund

Ranil Salgado is an Assistant Director in the IMF's Asia and Pacific Department and has been the IMF's mission chief to India and head of the South Asia Division since September 2017. The division also covers Nepal and Bhutan, and he supervises work on the Maldives as well. He also served on the IMF's India country team during 2000-03.

He has been in the IMF for over 23 years, including in the Western Hemisphere; Research; and Strategy, Policy, and Review Departments. Prior to joining the IMF, he worked in a strategy management consulting firm and as teaching and research assistants at the University of Pennsylvania, Johns Hopkins University, and the Federal Reserve Board of Governors. He attended the University of Pennsylvania for his Masters & PhD in economics, along with Harvard University (undergraduate in chemistry) and Cambridge University (masters in biochemistry).

Speaker Profiles

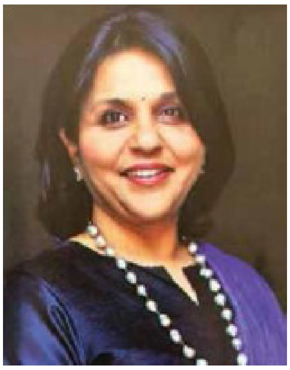
Mr Peter Rimmele
Resident Representative
Konrad-Adenauer-Stiftung Office, India

Peter Rimmele is currently the Resident Representative of Konrad-Adenauer-Stiftung Office, India. He has a First Law Degree from Freiburg University, as well as a Second Law Degree from the Ministry of Justice Baden-Württemberg, Germany and a M.A. in Geography.

After working as, a jurist, judge and lecturer, he took public office as Ministerialrat, Head of Division at the State Ministry of the Interior in Saxony, Germany, from November 1991 on until 2000. There he first served in the Police and Security Department and later in the Local Government Department.

On behalf of the German Foreign Ministry he served in East Timor as Registrar General, Head of Civil Registry and Notary Services (UNTAET), and became later the principal Advisor for Governance Reform for GIZ (German International Cooperation) to the Ministry of Administrative Reform and the Anti-Corruption Commission of the Republic of Indonesia, where he served for 7 years. He then moved to Rwanda, also as Principal Advisor Good Governance/Justice Program. Earlier he was Resident Representative Lebanon, Director of Rule of Law Program Middle East North Africa, Konrad-Adenauer- Stiftung.

Speaker Profiles



Dr Sangita Reddy
President
FICCI

Sangita Reddy is a Global Healthcare Influencer, Healthcare Technocrat, Social Entrepreneur and Humanitarian. She has been conferred with an Honorary Doctorate by Macquarie University, Australia, in recognition of transformative changes in healthcare and development of Health IT. She is an Honorary Consul of Brazil in Hyderabad.

Influencing Global Healthcare - Dr. Sangita Reddy is a member of The World Economic Forum, Rockefeller Working Group, past member on Healthcare Group for the Twelfth Five Year Plan, Planning Commission, Govt of India. She is also a Member of the Tech Devpt Board, Department of Science and Tech, Govt of India and is an Executive Member at NASSCOM.

Driving Healthcare Technology & Innovation - Dr. Sangita Reddy is focused on setting benchmarks in futuristic health care projects enabling IOT, AI, Data Analytics, Drone Tech and Block Chain. Under her leadership, Apollo Hospitals received three consecutive HiMSS-Elsevier ICT achievement awards and four hospitals have achieved the HiMSS Level-6 certification.

An Entrepreneur Promoting Affordable and Sustainable Social Initiatives - One of her initiatives, Apollo Reach, aims to build a string of secondary care hospitals in rural India.

Speaker Profiles

Dr. Sangita Reddy is also Chairman at Apollo Knowledge, an education initiative focused on shaping healthcare human capital for tomorrow by setting up of Medical Colleges, the online learning platform Medvarsity and Apollo MedSkills.

Driving Humanitarian Initiatives - Dr. Sangita Reddy heads Apollo Philanthropy, an umbrella entity encompassing 'Save a Child's Heart Initiative', SAHI, CURE and the Billion Hearts Beating Foundation and Total Health Foundation.

Awards and Recognitions - Dr. Sangita Reddy has been a recipient of numerous prestigious awards for business and leadership in the health care industry.

Speaker Profiles

Mr Dilip Chenoy
Secretary General
Federation of Indian Chambers of Commerce & Industry

Dilip Chenoy is currently Secretary General, FICCI. His last full-time assignment was when he served as Managing Director & CEO of the National Skill Development Corporation (NSDC). NSDC is a public-private partnership whose objective is to foster private sector investment and initiatives in training and skill development. While at NSDC he served as co-chair of the Australia-India Joint working group on Skill Development.

Currently, Mr Chenoy is a member of the Board of Governors, IILM, New Delhi (a leading business school); of the Board of studies, All India Management Association (AIMA), He is also Director General of ICC India, and of Indian Council of Arbitration (ICA). He advises start-ups including organisations in the digital, education, skills and livelihood space. He also serves on the Executive Committee of Bureau of Indian Standard (BIS) and is a Director of Invest India. He has served as the Chairman of Sant Longowal Institute of Engineering & Technology (SLIET), a fully government funded integrated skill development and degree-awarding institution.

He was awarded the Indian Achievers Award in 2018; The Game Changer Award in 2015 and the Rashtriya Media Ratan Award in 2013.

Speaker Profiles

Prior to NSDC, Mr Chenoy was Director General of the advocacy group for the automobile industry in India, Society of Indian Automobile Manufacturers (SIAM). He also served as the Deputy Director General of the Confederation of Indian Industry (CII). He was a member of the Harvard Business School project that worked on the competitiveness of Indian industry with Professor Michael Porter.

He is a fellow of the World Academy of Productivity Science (WAPS).

Presentations

For a copy of the presentations, please write to Mr Anshuman Khanna, Assistant Secretary General, FICCI at anshuman.khanna@ficci.com

The webinar can also be viewed at the following YouTube link https://youtu.be/PPH66YVkN6c

About the Partners

Federation of Indian Chambers of Commerce and Industry (FICCI)

Established in 1927, FICCI is the largest and oldest apex business organisation in India. Its history is closely interwoven with India's struggle for independence, its industrialization, and its emergence as one of the most rapidly growing global economies.

A non-government, not-for-profit organisation, FICCI is the voice of India's business and industry. From influencing policy to encouraging debate, engaging with policy makers and civil society, FICCI articulates the views and concerns of industry. It serves its members from the Indian private and public corporate sectors and multinational companies, drawing its strength from diverse regional chambers of commerce and industry across states, reaching out to over 2,50,000 companies.

FICCI provides a platform for networking and consensus building within and across sectors and is the first port of call for Indian industry, policy makers and the international business community. FICCI's vision is to be the thought leader for industry, its voice for policy change and its guardian for effective implementation.

About the Partners

Konrad-Adenauer-Stiftung (KAS)

Freedom, justice and solidarity are the basic principles underlying the work of the Konrad Adenauer-Stiftung (KAS). The KAS is a political foundation, with a strong presence throughout Germany and all over the world. We cooperate with governmental institutions, political parties and civil society organisations building strong partnerships along the way. In particular, we seek to intensify political cooperation in the area of development cooperation at the national and international levels on the foundations of our objectives and values. Together with our partners, we contribute to the creation of an international order that enables every country to develop in freedom and under its own responsibility. The Konrad Adenauer-Stiftung has organized its program priorities in India into five working areas:

- Political Dialogue and cooperation
- Foreign and Security Policy including Energy Policy
- Economic policy and management
- Rule of Law
- Media and training programmes for students of journalism

In implementing its project and programmes the Foundation cooperates with Indian partner organisations such as think tanks, Government and Non-Governmental Institutions.