DEPARTMENT FOR PROMOTION OF INDUSTRY AND INTERNAL TRADE MINISTRY OF COMMERCE & INDUSTRY GOVERNMENT OF INDIA

CII PARTNERSHIP SUMMIT 2020™

PARTNERSHIPS FOR LIVES, LIVELIHOOD AND GROWTH
15-18 DECEMBER 2020 | CII HIVE VIRTUAL PLATFORM

CII Confederation of Indian Industry
125 Years - Since 1895

Partnership Summit 2020: Theme Paper

Introduction

The Covid-19 pandemic has caused widespread disruptions across the globe and has had unprecedented impact on people’s lives and livelihoods. The effects of the pandemic have been pervasive and are being felt across all sectors of the global economy.

The global lockdown that ensued to contain the impact of the outbreak resulted in severe disruptions across global supply chains, curtailing production and output levels. This led to significant contractions in global demand, posing formidable challenges to global policymakers.

The latest World Economic Outlook (WEO) October report by the International Monetary Fund (IMF) projects a deep but less severe recession in 2020 relative to earlier forecasts, fuelling hopes for a recovery. World output is expected to contract by a negative 4.4% during 2020, while growth in 2021 is projected to rebound by 5.2%, as per the report.

In India, a host of measures were undertaken by the Government across key sectors to shield the Indian economy from the negative impacts of the pandemic and accelerate economic recovery. The focus on building a self-reliant economy or ‘Atmanirbhar Bharat’ is expected to jumpstart the economy’s growth engines and pave the way for a sustained revival.

As nations and businesses can learn much from each other, the time is critical for global institutions and governments across the globe to come together to keep the growth momentum going and mitigate the adverse impacts of the pandemic through a coordinated approach.

With this backdrop, the Confederation of Indian Industry (CII) in partnership with the Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce and Industry, Government of India, is hosting The Partnership Summit

2020 as a vibrant global platform for deliberations on global economic cooperation. Organized every year since 1995, The Partnership Summit this year is being held in conjunction with the commemoration of CII's 125 years as a national organization committed to India's development in a global context.

Global Economy and Pandemic Challenges

The Coronavirus pandemic has been unprecedented in scale and global reach, and its impact has been worse than the financial crisis of 2008-09. However, owing to swift and collective policy responses, the setbacks have been contained to a certain extent and an incipient recovery is possibly underway.

The pandemic, which had brought economic and business activity to a standstill, still continues to spread with renewed increase in infections in several places. Given this, apprehensions continue about the recovery process and therefore strong policy support measures and continued international cooperation would be required to face the challenges ahead.

With nearly all countries in the world, except China, expected to register growth in the negative territory, the WEO forecasts a recession during 2020. The latest WEO estimates project global growth during 2020 at (-) 4.4%. However, this is a less severe contraction relative to the earlier forecasts during June 2020.

With an expected rebound in growth and a sustained recovery, global growth in 2021 is projected at 5.2%, a little lower than what was predicted during the June 2020 update.

With major advanced economies like the US, Japan and the Euro area expected to contract during 2020, the growth projection for the advanced economies in 2020 is at (-) 5.8%. The Euro area is expected to register the biggest contraction with the projection at (-) 8.3%, followed by Japan and the US, at (-) 5.3% and (-) 4.3%, respectively. The advanced economies are projected to recover strongly in 2021 to expand by 3.9%.

Table: Global Growth Estimates by IMF, per cent

	2019	2020 Projection	2021 Projection
World	2.8	-4.4	5.2
Advanced Economies	1.7	-5.8	3.9
United States	2.2	-4.3	3.1
Euro Area	1.3	-8.3	5.2
Japan	0.7	-5.3	2.3
Emerging Market and Developing Economies	3.7	-3.3	6.0
China	6.1	1.9	8.2
Russia	1.3	-4.1	2.8
Brazil	1.1	-5.8	2.8
India	*4.2*	*-10.3*	*8.8*

Source: IMF WEO October 2020

The WEO growth estimates for the emerging market economies during 2020 is at (-) 3.3%. China is the only economy which is expected to register positive growth during 2020, at 1.9%. The Indian economy is expected to contract by (-) 10.3% during 2020; however, given its second quarter performance, this may be revised. Forecasts for other emerging markets such as Russia and Brazil are at (-) 4.1% and (-) 5.8% respectively, for 2020.

With rebound in global activity, the emerging markets are expected to post growth of around 6% during 2021, with forecasts for India at 8.8%, among the highest in the world.

While vaccine development is underway, the level of uncertainty is expected to prevail through the coming year. The cutbacks in production and output have disrupted the global supply chains, with significant impact on growth and employment. Investments and consumption spending will take time to recover and will require adequate policy support.

Apart from growth and employment challenges, countries would continue to face other big challenges, especially in terms of healthcare, further complicating the tasks of global policymakers in achieving inclusive and sustainable growth. While work on vaccines has progressed significantly, improving public health through stepping up investments in health infrastructure and healthcare delivery will remain a top priority. A critical challenge will also be the global distribution of vaccines.

While the path to global recovery will be a daunting task ahead, at this juncture, it is critical to prevent further setbacks with the help of sustained and coordinated efforts at the global level, as various regions face a second wave of infections and reinstate social distancing measures and lockdowns. Policymakers and the private sector need to work on both short term and long-term measures to set the path of global recovery.

As such, it is important for Governments around the world to continue support and stimulus measures, while strategizing for innovative ways to restart growth and prepare for the surge ahead. A comprehensive package, with the necessary fiscal and stimulus measures, along with targeted well-designed policies is the need of the hour to arrest the outbreak's negative consequences and rebuild the global economy.

International Trade and Trade Policy

In addition to being an acute health crisis, the Coronavirus pandemic has thrown up major financial and socio-economic challenges and has had extraordinary impact across all sectors of the economy.

The pandemic has substantially altered the global trading scenario as international trade flows were severely hampered, with major countries of the world closing their borders and imposing lockdowns to contain the spread of the virus.

The World Trade Organization (WTO) predicted that in 2020, the volume of global trade would reduce by 13-32 % as compared to the previous year.

Now, as the world economy opens up again, with resumption in economic activity and rolling back of trade restrictions, the need for international cooperation and coordination is more important than ever, to restore trade and investment flows across the globe and rebuilding global supply chains. The changing global economic environment and increased uncertainty poses a challenging task ahead for supply chain leaders to recalibrate their supply chains and reconstruct operational strategies amidst changing government policies and geopolitical relations, as the crisis continues.

Producers are faced with the task of revaluating and readjusting their strategies to rebuild the disrupted supply chains and re-establish global linkages.

The current scenario also presents an opportunity to diffuse trade tensions among nations and reverse the earlier trend of protectionism that involved restrictive policies for cross-border trade through the imposition of various tariff and non-tariff measures. International trade policy, therefore, must focus on eliminating such trade barriers and restrictions that could affect supply chains and have the potential of slowing economic recovery.

The current crisis also presents an opportunity to revive services trade, which has immense potential to boost growth and development prospects along with creating ample employment opportunities. Growth of certain services, for example videoconferencing and medical services such as telemedicine, surged during the pandemic and are likely to grow further in the future. Therefore, the time is right to rethink strategies and measures to boost services trade in a post-Covid world.

This underscores the importance of multilateral cooperation and negotiations in achieving common goals of promoting economic prosperity across nations. Cooperation and international solidarity across Governments of the world for taking urgent and collective action for reshaping the rules for facilitating and resuming trade and investment flows is, therefore, the need of the hour.

The role of the G20, which was formed and played a critical role in the reform process during the financial crisis of 2008, will be crucial in initiating economic recovery by influencing global economic policy during the current crisis. This, in turn, will prepare the foundations for a sustained economic revival and restoring trade balance.

Role of Geopolitics in Reshaping the Global Order

The Coronavirus pandemic has reshaped global dynamics and will continue to change the world in many ways in days to come. The crisis has also shaken up the global economic order by shifting the geopolitical relations among many nations across the globe.

As the consequences of the pandemic continue, several countries are looking at realigning their trade and investment strategies and diversifying their trade baskets. They are also focussing on building new partnerships while reshaping and strengthening old ones. The current crisis and the changing world order present an opportunity for re-examining trade relations and gaining from mutually beneficial trade agreements.

The emergence of the Indo Pacific region, the geographic space that connects the Indian and the Pacific Oceans, has gathered significant acceptance as a single strategic construct over the past few years. The region has emerged as a hub of global trade and energy and the future of the Indo-Pacific, its geographical expanse and India's future role in the region, will play a significant role in the shifting global power equations.

The future of India's relations with the European Union (EU) and the US will also determine transitions in global supply chains and help establish global linkages. A balanced mutually beneficial trade agreement between India and the EU will offer opportunities for new markets and openings, while the India-US partnership may get renewed focus and a new direction with the change in administration in the US, in the aftermath of the US elections.

Among some of the key trends, the official exit of the UK from the EU can have significant implications for the India-UK partnership as well as the entire world, as the UK looks at redefining global partnerships and strengthening its bilateral ties with partners, in the aftermath of the Brexit. India and the UK have both expressed interests in strengthening bilateral ties and expanding cooperation and a possible post-Brexit deal could significantly impact and alter world trade dynamics.

With the Coronavirus accelerating emerging trends in a multipolar world, countries are seeking to strengthen dependable alliances while diversifying their outward engagement and exploring new destinations for influence. The strategic jostling for geopolitical space has underscored the centrality of economic partnerships, which can be expected to be in flux until new ones are forged to stabilize domestic economies.

Investments and Geo-economic Related

Within the context of changing geopolitics and significant shift in supply chains, global outward investments and geo-economic considerations gain added heft. As major economies infuse liquidity to restore growth, foreign direct investments are facing uncertain times.

According to the October Global Investment Trends Monitor of UNCTAD, global FDI flows dropped 49% in the first half of 2020, with the trend sharper for developed economies. Hobbled by the pandemic, cross-border mergers and acquisitions, new greenfield project announcements, and finance deals fell by unprecedented levels. Developing economies attracted 16% less funds than the first half of 2019, but this was still more than the contraction that had been expected.

However, certain countries like India continued to attract FDI. Although FDI contracted, India received $30 billion in the first half of the financial year 2020-21 with growth in FDI in the digital economy, infrastructure and energy, as per Indian statistics.

India's rapid progress in ease of doing business reflects the successful implementation of a number of reforms and initiatives undertaken by the Government of India, both at the central and state level. The exercise has enabled states to reduce transaction costs progressively while enhancing speed and transparency of processes. Reforms with regards to streamlining of processes including starting a business, paying taxes, trade facilitation and obtaining construction permits, among other areas at the state level have facilitated a business environment that has successfully invited growing investments from abroad.

The Indian states have achieved substantial progress in creating a investor friendly environment, which is reflected in the recent surge in FDI that India received during 2020. Cumulative amount of FDI equity inflows received by India between April 2000 and September 2020 amounted to US$ 500 billion. According to a recent survey conducted by the Confederation of Indian Industry (CII) and EY, India has been ranked as one of the top three choices for overseas investments in the next two to three years.

Role of Technology

Technology has acquired a ubiquitous role in the world today. The world has witnessed how technology can aid in the management of a crisis like Covid-19 and accepted its dominant role across all sectors.

The world economy is on the cusp of a digital revolution and undergoing major transformation with the growing use of digital technologies and the rapid use of information technology (ICTs). UNCTAD's 2019 Digital Economy Report estimates the size of the global digital economy ranges between 4.5 to 15.5% of the world's GDP, depending on the definition adopted.

From delivering diverse services such as healthcare, education and financial services through digital platforms, to producing and innovating products with the help of Artificial Intelligence (AI) such as Internet of Things (IoT), industrial IoT, machine learning, robotics and cloud computing to digital transactions – technology is transforming the global economy in a major way.

Today, the advent of Industry 4.0 is changing manufacturing across the board. AI and the future of smart manufacturing as a powerful disruptive force have the potential to optimize global manufacturing and make businesses more efficient.

Fintech is transforming the world of finance and the rapid use of technology is leading to the rapid penetration of fintech across the globe.

The pace of digitization has increased at an unprecedented rate as the Covid-19 outbreak has completely changed the future of work. As more and more companies shift to a digital workspace and use advanced tools and technology to communicate and collaborate, the future of jobs stands at a crucial juncture.

While the present situation offers many opportunities, such as leveraging technology to collaborate and innovate, several challenges also arise, especially in terms of skilling and reskilling the workforce for sustaining current and future jobs, as qualities of jobs change and companies consider a more futuristic way of working.

As modern technologies such as big data, AI and machine learning, robotics etc. pervade the new world, transformative changes are underway that are going to alter business and industries in significant ways. Thus, it is important to learn from the current situation and explore and direct efforts towards developing inclusive business models and making societies more resilient through better adoption of technology.

Sustainability in the Post-Covid World

The Covid-19 crisis has opened up avenues and new ways of increasing international solidarity and cooperation across geographic borders. In the wake of the pandemic, inclusive and sustainable development, climate change cooperation and environmental concerns have become global imperatives that need to be taken forward with the help of serious dialogue and conversations.

As the pandemic has impacted millions of lives and livelihoods and brought about unprecedented changes in the fields of work as well as living standards for many, it is important now more than ever to charter a path for humanity through inclusive and sustainable development. Issues such as global distribution of vaccines, protecting the weaker and vulnerable sections, ensuring stable lives for all and minimizing the negative impacts of the pandemic require urgent attention and solutions from global institutions and policymakers. Providing decent work, education and good health for all are also foremost priorities that need coordinated efforts from global policymakers.

At the same time, global warming of the planet and climate change is a defining issue of our times that requires immediate and drastic action, as it continues to impact current and future generations. Working out sustainable solutions by building sustainable business models and working together to minimize the adverse impact of climate change to build a better future is the primary need of the hour.

The issue of environment conservation and waste management is also likely to take centre stage in the post-Covid world. It is estimated that around 8 million metric tons of plastic is dumped in the ocean every year and that plastic production is expected to double in the next decade. As reducing global plastic waste has the potential of improving public health by reducing the incidence of several illnesses, global collaboration must be directed towards minimizing plastic waste and towards an increasingly Un-plastic world.

Global Cooperation in Healthcare

The Coronavirus pandemic has so far resulted in more than 1 million deaths and affected around 60 million people across the globe. As the current outbreak is unlikely to be the last of its kind, the present situation calls for preparing the world for the next pandemic which could be similar or even worse in scale as compared to the present one.

Public health authorities therefore must focus upon improving the capabilities of their countries to deal with potential health emergencies and working on emergency preparedness. This would be critical for tackling similar unprecedented health crisis in the future, while also reducing the costs associated with it by taking action early.

Delivery of remote care through virtual tools and software such as videoconferencing, raising awareness through virtual platforms, monitoring patient health and digital tracking with mobile technology, data collection and detection of patterns through digital health records have all become viable options in the clinical community as the crisis unfolded.

This highlights the critical role that health technology will play in reducing the adverse impacts of similar public health emergencies in the future. Thus, sustained efforts in building medical technology and tools, and encouraging innovations and R&D in this field, would be required to step up care delivery and provide contact less healthcare. Greater spending on research and training is necessary for developing alternative therapies and treatments to prevent diseases of such epic proportions.

As the current crisis has heightened the importance of the quality and safety of medical care and devices, the present situation is also reshaping the regulatory landscape for medical technology. As the European Union, Canada and the US implement new regulations, these changes could significantly impact medical companies and their stakeholders.

It is therefore necessary to promote dialogue and conversations among decision makers and regulatory experts to ensure that the medical companies and global players can take informed decisions and effectively navigate through the crisis. Efforts towards building a well-implemented strategy must be in place to ensure the medical devices industry can seize the current opportunity and reap economic benefits.

Indian Economic Recovery

With the lifting of the lockdown and business activity restarting in the economy, a sustained but slow revival is expected, as some green shoots are visible in the Indian economy.

India’s Gross Domestic Product (GDP) at constant prices contracted by 7.5% during the second quarter i.e. the July-September period of FY 2020-21. The pace of decline significantly narrowed in contrast to the contraction in GDP registered by the economy during the first quarter of the fiscal year, when GDP shrunk by 23.9%[1], mostly on account of widespread disruption in economic activity, as a consequence of the lockdown to contain Covid-19.

The growth figures are better than expected by most forecasts, which is expected to drive positive sentiment in the economy and aid the recovery process. Mostly led by a rebound in manufacturing activity, the narrowing contraction marks a significant improvement in the economy, and fuelling hopes for a robust recovery during 2021.

India's manufacturing sector re-entered a positive growth trajectory and clocked a positive growth of 0.6% during the Q2 2020-21, a massive turnaround from the contraction in the first quarter, during which manufacturing gross value added (GVA) fell by (-) 39.3%. A revival of consumer demand with the resumption of business and economic activities and lifting of lockdown restrictions have boosted manufacturing activity in the economy.

The farm sector continued to remain a bright spot as it benefited from timely monsoons and grew by 3.4% during Q2. Electricity and other utilities also posted positive growth at 4.4% during Q2, after contracting by 7% during the first quarter.

The contraction in output also significantly improved for the construction sector, from (-) 50.3% during Q1 to (-) 8.6% during Q2 of 2020-21. Some recovery was also visible for the trade, hotel and restaurants sector, which was hit hard by the pandemic. The contraction for the sector also narrowed substantially at (-) 15.6% in Q2 as compared to (-) 47% during Q1. All these positives signal that the economy is on a recovery path and better growth prospects can be expected in the remaining two quarters.

India's central bank, the Reserve Bank of India (RBI), has projected a return to positive growth by the fourth quarter of FY2020-21, when the economy is expected to expand by 0.5%. For infusing liquidity in the system, the RBI has maintained an accommodative monetary policy stance and will conduct market operations such as special and outright bond purchases.

On the trade front, after contracting for consecutive months, there was an uptick in export growth during September 2020, during which Indian exports stood at US$

[1] CSO Estimates

27.58 billion, as compared to US$ 26.02 billion in September 2019 and recorded positive growth of around 6%, y-o-y. Iron ore, drugs and pharmaceuticals, and spices, among others, were some of the major commodities/commodity groups that exhibited positive growth.

India's economic performance in the second quarter of FY 2020-21 has significantly improved from the previous quarter, as captured by several economic indicators. The better than expected numbers point towards a sustained but cautious recovery, as the pandemic still continues to impact growth. However, with the lowering of transmission rates and the Government's active interventions to stimulate the economy and various containment measures, a sustained economic revival can be expected for the Indian economy.

Recent Reforms and Investment Opportunities

A number of recent reforms undertaken by the Indian Government has significantly improved the business climate in India and has helped the country become one of the most preferred destinations for foreign investments.

India achieved the 63rd rank, among 190 countries in World Bank's Ease of Doing Business rankings and was among the top 10 economies that improved the most as a result of implementing regulatory reforms, for the third consecutive time.

Notable improvements in ease of doing business parameters such as starting a business, paying taxes, dealing with construction permits and trading across borders and resolving insolvency, have helped the country achieve substantial progress.

Ease of Doing Business reforms at the state level have also significantly contributed in creating an investor friendly environment in the country. DPIIT undertakes the Business Reform Action Plan (BRAP) exercise of ranking all states based on the ease of doing business reforms undertaken by them, with the aim of providing a conducive business environment. This has helped potential foreign investors in making their investment decisions with regards to specific states.

Measures are aimed at simplifying business regulations, such as digitization of regulatory processes, encouraging time bound processes, reducing physical interface with government officials, etc. The online Single Window System for time bound approvals and clearances on a single online interface has greatly helped industries, especially the micro, small and medium enterprises (MSMEs).

The Government has undertaken several reforms to progressively liberalize India's FDI sector, which has opened up India to international players in a big way. Apart from relaxing several FDI norms, opening up sectors such as mining, defense, space, nuclear energy and others will attract big foreign players and make India a preferred destination for foreign investments.

The Indian Government, in the recent, past has undertaken several structural reforms to spur investments and boost growth of the economy. Corporate tax reforms such as tax cuts and a simpler tax structure have significantly contributed to creating a investor friendly business environment in the country. India's corporate tax for new manufacturing endeavors now stands at 15% while other businesses benefit from a tax rate of 22%, apart from surcharges. This is a substantial cut of 10 percentage points at one go.

Major financial sector reforms such as the Insolvency and Bankruptcy Code, that seeks to solve insolvency in time bound manner and other banking reforms have also greatly bolstered confidence of the investor community.

Other reforms such as simplification and codification of labour laws and a focus on human capital is also helping in driving fresh investments in India.

The Production Linked Incentive (PLI) scheme, which was earlier introduced to boost domestic manufacturing and attract foreign investments in the three sectors of large-scale electronics manufacturing, medical devices and pharmaceuticals was recently extended to 10 new identified champion sectors including sectors such as electronic/technology products, automobiles and auto components, telecom networking products, food and textile products, and specialty steel, among others.

The scheme aims to improve core competencies and attract investments in cutting-edge technology to foster innovations across these sectors to make the manufacturers globally competitive. Under the current scheme, various domestic as well as foreign companies will receive financial incentives for setting up manufacturing units and producing in India.

These reforms are enhancing India's global competitiveness and will contribute in making India a global destination for manufacturing and investments in a post Covid-19 world.

The Partnership Summit 2020

The Partnership Summit is CII's annual Flagship international event. The summit which started during CII's centenary year in 1995 provides an opportunity to look at how both advanced and emerging economies can collaborate and build new bridges to foster balanced and equitable growth.

The summit provides a global platform for dialogue, debate, deliberation and engagement among people from all walks of life including leaders from governments, industry and other experts, while also helping in building new partnerships through high level networking and structured Business-to-Business (B2B) meetings.

In collaboration with the Department for Promotion of Industry and Internal Trade (DPIIT) , the Confederation of Indian Industry (CII) is organizing the 26th Edition of the Partnership Summit during December 15-18, 2020 to mark 125 years of its existence and carry forward the agenda of strengthening partnerships between India and the world in its landmark year.

This special event would cover an array of diverse topics covering geopolitics, technology, economics, investment, trade, sectoral and state level opportunities etc.

With The Partnership Summit 2020 being held on a virtual platform this year, it offers the unique opportunity to bring together eminent speakers and a much larger audience from across the world, thereby being a vibrant and thought-provoking series of sessions that will converge all geographies on common challenges.

About CII

Since 1895, CII has been a strong partner and key player in the endeavour of nation-building. Through the years, it has partnered with the government and civil society to create, channelize and strengthen the growth drivers that would ensure an equitable and inclusive trajectory for India's development.

CII has been working on shaping India's national journey for the last 125 years, by working and focussing on relevant policy issues, interacting with thought leaders and enhancing the efficiency and competitiveness of Indian Industry. This year, more than ever before, CII is dedicated to proactively transform Indian Industry's engagement in national development.

The premier business association has more than 9500 members, from the private as well as public sectors, and an indirect membership of over 300,000 enterprises from around 288 national and regional sectoral industry bodies.

With 68 offices, including 10 Centres of Excellence in India, and 8 overseas offices in Australia, Egypt, Germany, Indonesia, Singapore, UAE, UK, and USA, as well as institutional partnerships with 394 counterpart organizations in 133 countries, CII serves as a reference point for Indian industry and the international business community.