Spotlight: Econ Op-eds in Summary

Week ended 16th June '21

In Summary

The underneath contains summaries of the articles given above, including key extracts from these articles.

1. GSP+ and European Parliament's Resolutions on Sri Lanka
By: Gomi Senadhira

- The recent resolution adopted by the European Parliament inviting the European Commission to consider temporarily withdrawing Sri Lanka's access to the Generalised Scheme of Preferences Plus (GSP+) concession has started an interesting discussion on the impact of the resolution on Sri Lanka. This however overlook the fact that the power to initiate action on such resolution lies solely on the EU Commission and that this was the third of such resolutions passed within the last 10 months.

- Last September the European Parliament adopted a similar resolution against the Philippines. The country responded that the European Commission, which has a mechanism to verify issues before sanctions are imposed would allow the country explain their side of the story and hence has no reason to fear the loss of GSP+. In April a similar resolution was adopted against Pakistan which a similar response highlighting that the country already had taken steps to solve its issues.

- Despite calling for immediate action, the commission is yet to remove Philippines GSP+ privileges. When compared to the resolutions on the Philippines and Pakistan the resolution on Sri Lanka is less harsh. It only calls the EEAS to use the GSP+ as a leverage to push for advancement on Sri Lanka's human rights obligations and, as a last resort, to initiate a procedure for the temporary withdrawal of Sri Lanka's GSP+ status.

The European Parliament's resolution (on 10 June) inviting the European Commission to consider temporarily withdrawing Sri Lanka's access to the Generalised Scheme of Preferences Plus (GSP+) concession has started an interesting discussion on the impact of the resolution on Sri Lanka. But the ongoing discussions overlook two important aspects about this resolution.

- Firstly, although the European Parliament has legislative power as one of three legislative branches of the European Union, it does not formally possess the right to initiate action on the resolutions. That power lies with the EU Commission.

- Secondly, the resolution on Sri Lanka was the third of such resolutions adopted by the Parliament, during the last 10 months. The other two resolutions were on the Philippines and Pakistan.

The resolution on the Philippines

In September last year, the European Parliament adopted a resolution calling on the Commission to immediately kick the Philippines out of the GSP+ over its human rights violations, particularly over President Rodrigo Duterte's "questionable human rights record".

The resolution made specific references to "…thousands of people, including women and children, …reportedly, killed (since 1 July 2016)" during President Duterte's 'war on drugs'…. threats, harassment, intimidation, and violence against those speaking against the allegations of extra-judicial killings and other human rights abuses, including human rights defenders, journalists, and activists, and the conviction of Maria Ressa, Editor of a news website, for cyber libel by the Manila Regional Trial Court.

The Philippines' response

Presidential Spokesperson Harry Roque, when asked about the resolution, had responded: "Stop the discussions. They should do what they want to do during this time. If they want to implement it, go ahead…. I'm sorry I'm being very undiplomatic in my answer, but what else can I say? At the time of a pandemic, they're threatening us. Oh my God, what else do we lose?"

That kind of response was not unexpected from Malacañang Palace. Earlier President Duterte had referred to EU officials as "stupid European Union guys," and had even threatened to expel all European diplomats within 24 hours after Brussels criticised major human rights abuses committed by his Government.

However, Trade Secretary Ramon Lopez was more diplomatic in his approach and had simply stated that "the main agency that has a say in the GSP+ was not necessarily the European Parliament but the European Commission, which has a mechanism to verify issues before sanctions are imposed…. Filipino officials have been able to explain objectively the Philippines' side on issues that are raised and we don't see any reason why our GSP+ privilege will be withdrawn."

Speaking to the Philippine News Agency, Lopez had also underlined "So far, we've been faring well in all issues that were raised every year. And I think this is the third, or fourth time, that the EU Parliament has passed the same resolution. And every year, we are able to give our side, give our explanation, give our information and numbers. So, we shall be addressing this again in this process of monitoring,"

What he did not mention was that in March 2017, European Trade Commissioner Cecilia Malström also delivered a strong message listing human rights concerns which included "the killings linked to Duterte's abusive 'war on drugs,' the looming reinstatement of the death penalty, and lawmakers' efforts to lower the age of criminal responsibility to nine years of age" and indicated that unless the Philippines took action to address the EU's concerns, the Philippines risks losing GSP+ trade concession.

The resolutions on Pakistan

In April this year, the European Parliament adopted a resolution calling for a review of the GSP+ status granted to Pakistan. Pakistan was charged with an "alarming" increase in the use of blasphemy accusations and the increasing number of online and offline attacks on journalists and civil society organisations and called on the Government of Pakistan to "unequivocally condemn" incitement to violence and discrimination against religious minorities in the country. The Parliament expressed "deep concern" at the prevailing anti-French sentiment in Pakistan.

The resolution called on "…the Commission and the European External Action Service (EEAS) to immediately review Pakistan's eligibility for GSP+ status in the light of current events and whether there is sufficient reason to initiate a procedure for the temporary withdrawal of this status and the benefits that come with it, and to report to the European Parliament on this matter as soon as possible."

After the debate on the resolution, one of the co-authors of the resolution Member of European Parliament (MEP) Charlie Weimers of Sweden tweeted: "Should Europe reward Pakistan's mob justice targeting Christians and its Prime Minister relativising the Holocaust? My answer is no."

Pakistan's response

Responding to the resolution, Human Rights Minister Pakistan Shireen Mazari had said it is unfortunate that the co-sponsor of the EU's anti-Pakistan resolution was a member of a party that the Swedish PM Stefan Lofven referred to as 'a neo-fascist single-issue party' with 'Nazi and racist roots', " and asked whether "… GSP Plus is getting muddied in Islamophobia?" However, she also tweeted: "We have issues to resolve but there has been more movement now on our Human Rights International Convention commitments than in previous governments. The way forward is dialogue & negotiations, which we have been doing, not extreme public positionings. Unfortunate."

The Pakistani Foreign Ministry was more diplomatic in the response and the statement said: "The discourse in the European Parliament reflects a lack of understanding in the context of blasphemy laws and associated religious sensitivities in Pakistan – and the wider Muslim world. The unwarranted commentary about Pakistan's judicial system and domestic laws are regrettable…Pakistan is a parliamentary democracy with a vibrant civil society, free media, and independent judiciary, which remains fully committed to the promotion and protection of human rights for all its citizens without discrimination."

The FO had said Pakistan is proud of its minorities who enjoy equal rights and complete protection of fundamental freedoms as enshrined in the Constitution. Judicial and administrative mechanisms and remedies are in place to guard against any human rights violations.

"Pakistan has played an active role in promoting freedom of religion or belief, tolerance, and interfaith harmony. At a time of rising Islamophobia and populism, the international community must exhibit a common resolve to fight xenophobia, intolerance, and incitement to violence based on religion or belief and work together to strengthen peaceful co-existence."

The resolutions on Sri Lanka

The resolution on Sri Lanka, in most aspects, is similar to the other two resolutions. However, there is one distinct difference in the paragraph in the resolution on Sri Lanka which call the Commission and the European External Action Service to initiate action. The relevant paragraphs in the resolutions on the Philippines and Pakistan are given below;
"Given the seriousness of the human rights violations in the country, calls on the European Commission, in the absence of any substantial improvement and willingness to cooperate on the part of the Philippine authorities, to immediately initiate the procedure which could lead to the temporary withdrawal of GSP+ preferences;"

"Calls on the Commission and the European External Action Service (EEAS) to immediately review Pakistan's eligibility for GSP+ status in the light of current events and whether there is sufficient reason to initiate a procedure for the temporary withdrawal of this status and the benefits that come with it, and to report to the European Parliament on this matter as soon as possible;"

In these resolutions the Commission is called to take immediate action to withdraw the concessions. However, in the resolution on Sri Lanka the language is milder.

"Calls on the Commission and the European External Action Service (EEAS) to take into due account current events when assessing Sri Lanka's eligibility for GSP+ status; further

calls on the Commission and the EEAS to use the GSP+ as leverage to push for advancement on Sri Lanka's human rights obligations and demand the repeal or replacement of the PTA, to carefully assess whether there is sufficient reason, as a last resort, to initiate a procedure for the temporary withdrawal of Sri Lanka's GSP+ status and the benefits that come with it, and to report to Parliament on this matter as soon as possible;"

After the Parliament passed the resolution on the Philippines, one of the co-authors of the resolution, EU Parliament Member Hannah Neumann pointed out: "We don't have these many tools in the EU to protect human rights and democracy, and maybe our trade policy is the strongest one… (the Philippines) still enjoys trade privileges of the EU under the GSP+ scheme that are supposedly linked to improvements in human rights, … We call on the commission to start on the procedure to revoke these privileges immediately. To be frank, by immediately, we mean by Monday."

That was in September 2020. Since then, many Mondays have passed but the Commission had not initiated any action to revoke the GSP+ concessions.

More importantly, after the resolution was adopted by the European Parliament, a European Commission spokeswoman had spoken to a reputed garment industry trade journal 'Just-Style' and had said that the Philippines is "engaging constructively" in "the GSP+ monitoring process, which will be followed up in the next joint monitoring mission to the Philippines planned by the Commission and the European External Action Service, when COVID-19 conditions allow."

She had also stated "The EU's current policy focuses on actively pursuing the GSP+ monitoring process, that is, an open dialogue with the Philippines on our areas of concern and how to progress to alleviate these concerns, rather than to initiate a process to withdraw GSP+ preferences."

It is only a few weeks since the resolution on Pakistan. So it is difficult to comment on the action or inaction the commission had initiated. Once again the resolution calls for immediate review. When compared to the resolutions on the Philippines and Pakistan the resolution on Sri Lanka is less harsh. The resolution on Sri Lanka does not call for immediate action to revoke GSP+. It only calls the EEAS to use the GSP+ as a leverage to push for advancement on Sri Lanka's human rights obligations and, as a last resort, to initiate a procedure for the temporary withdrawal of Sri Lanka's GSP+ status.

So, the question then is, will the action by the Commission on the resolution on Sri Lanka also be less harsh than the actions they had taken on the Philippines?

For the full article - Refer Daily FT

2. Pandemic's new normal has changed the toolkit of bank regulators
By: Dr. W.A Wijewardena

- Central Banks have responded to the hindrance caused to economic activity as a result of the pandemic and its impact on human interactions by printing money, maintaining low rates, offering debt moratoriums to customers among other measures. The use of debt moratoriums will eventually lead to a rise in non-performing loans.

- This can result in a situation where state banks capital bases are eroded, and they are unable to go to capital markets to raise capital due to various objections from stakeholders. To avoid a distressed banking sector, banking regulators follow micro and macroprudential regulations. Regulators in specific, are concerned about the

collapse of systematically important banks, as they could have far-reaching consequences on the financial system.

- Regulators use on-site and off-site bank examinations to assess the soundness of banks. However, with social distancing guidelines, on-site examinations are now less effective than before. This has sparked the need for digital monitoring, where an early warning system should be set up. This would be where the bank's records are directly plugged into the regulators network, enabling real-time monitoring of data to better aid in preventing a collapse of the banking sector.

A new normal code for human behaviour

The outbreak of the COVID-19 pandemic in several waves in almost all the countries in the world has codified a new normal for human behaviour. This code of relationships entailing social distancing, wearing face masks plus face shields, frequent hand washing, and keeping a record of first-hand contacts for later follow-up is going to stay with the world for several years.

It has also changed the approach which bank supervisors and regulators should adopt when dealing with banks under their charge to ensure stable financial institutions and systems. Since the pandemic has brought in far-reaching social, political, cultural, and economic impacts on affected countries, the bank regulators cannot remain in a closed silo displaying obliviousness to these changes.

The complete lockdown of the countries

To prevent the spread of the pandemic, the standard tool used by authorities had been a complete lockdown of the countries for prolonged periods. That was a necessity because the virus was transmitted from person to person via human contacts. To keep it under check, all human contacts had to be kept to a minimum. China, the epicentre of the pandemic, demonstrated its success by preventing people in the affected regions from even moving out of their homes.

It was a draconian measure but considered essential because of the extremely high cost which the pandemic inflicted on human lives. When it comes to choosing between life and any other thing, modern societies always go for the former since life is considered invaluable. But the prolonged lockdowns disrupted a significant part of economic activities involving production and distribution.

Need for reviving battered economies

It caused economies to move down from their normal growth paths generating in most cases a shrinkage of the total output accompanied by an increase in unemployment. Thus, an urgent requirement that arose was the need for reviving the affected economies. The full burden of this revival devolved on the governments which could through their sovereign powers mobilise resources for this. But there were two issues which had handicapped the governments in performing this job.

One was that some governments did not have a sufficient budgetary leeway to undertake a massive expenditure program due to high budget deficits, committed expenditure for maintaining public services, and meeting debt servicing commitments. The Government of Sri Lanka is a case in point.

The other handicap was the shrinkage of the tax base due to the shrinkage the economies involved and inability of tax authorities to reach out to taxpayers due to economic lockdowns. As a result, there was a resource constraint for many governments. This was

to be filled by getting the central banks to print new money and relax their monetary policy stances. Thus, in the final analysis, the actual burden of reviving the economies have fallen on central banks.

Central banks' new challenge

Central banks throughout the globe have risen to this new challenge with a host of measures. In the first place, they have resorted to the main weapon they possess, namely, the ability to print money. Using this weapon, they have funded the governments to finance their cash deficits and provided liquidity to the economic system through specially established refinance windows.

A central bank would be cautious to use this weapon in normal situations. That is because it would derail their monetary policy targets by increasing reserve money and through that increase, the final money supply in multiple terms. That is because commercial banks are able to create new money by using this reserve money as seeds, based on the size of the money multiplier in the system.

In Sri Lanka, the money multiplier stands at about 10x at present and hence, every rupee created by the central bank as reserve money will eventually increase the money supply by about 10 rupees. Since economic growth is either negative or low due to the pandemic, such an increase in the final money supply will put pressure for prices to rise. But the present pandemic has forced central banks to revisit their monetary policy objectives.

A central bank normally goes by the notion that inflation is the public enemy number one. But the pandemic has obliterated this because the public enemy number one now is the loss of human life. If life is not saved, there is no purpose of controlling inflation. This is in fact re-prioritising the policy objectives considering the specific dangers faced by respective countries.

Policy stimulus introduced by central banks

The other policy measures taken by central banks to support economic revival are maintaining low interest rate regimes, promoting private sector credit expansion, and extending loan moratoria to borrowers affected by the economic downturn due to the outbreak of the pandemic. The objectives of the first two measures are increasing investment, stimulating the economy, promoting economic activities, and generating employment. The last measure, namely, extending loan moratoria, will help businesses to survive through the difficult time periods and commence their business activities once the system has returned to normalcy. What this means is that banks have been forced to bear the full burden of the economic revival.

Problems of bank regulators

These measures are supportive of economic activities, but they create problems for bank regulators. That is because they require banks to relax their normal loan sanctioning conditions, and thereby, accommodate even unviable customers. The corollary of this free attitude is the elevation of the non-performing loans – loans that are not repaid on time – eventually. It would erode the capital bases of banks. Since bringing new capital is a remote possibility under the pandemic situation, regulators would be faced with a situation in which most banks are distressed and needing support. In the case of state banks, due to the fiscal constraints, the governments are unable to recapitalise them, as necessary. They cannot raise new capital from the capital markets due to objections of employee unions and parties which are opposed to privatising state banks. When a few of systemically important banks are distressed in this manner, bankers are like people sitting on a volcano that might erupt at any time with far-reaching consequences. Banking regulators cannot, and should not, tolerate this.

Balancing economic revival and financial system stability

This is a challenging task requiring bank regulators to strike a proper balance between economic recovery and avoidance of distressed banks. There is no predetermined set of guidelines for them to follow. A pragmatic approach is to give priority to economic revival, while keeping a watchful eye on developments in individual banks. There, the challenge faced by them is to resolve the conflict between the two regulatory approaches they normally follow, namely, the micro-prudential regulation and macroprudential regulation.

Protecting the system or protecting the banks?

In normal situations, these two approaches conflict with each other. Bank regulators are mandated by their legislations to maintain the financial system stability and not the stability of individual financial institutions. However much a regulator is competent, it is impossible for him to protect every financial institution in the country. That is because they are not homogeneous, and differ significantly from each other with respect to capital base, management competency, risk appetite, specific market conditions, etc.

Hence, when one bank may do well, another may fail. The failing bank, if it cannot be recovered, is like a parasite that must be removed to save the main body of the financial system. Thus, the regulators are concerned about individual banks only to the extent they are systemically important, and their failure would damage the whole financial system. This aspect of protecting individual banks comes under micro-prudential regulation and it directly conflicts with macroprudential regulations.

Since the stimulus packages introduced by central banks to fight the pandemic might propel bank failures, regulators are now required to pay attention micro-prudential regulation as well. Hence, while the financial system is kept under a watchful eye, regulators must be more concerned about the performance of individual financial institutions in this pandemic situation.

Onsite examinations becoming defective

Regulators use two tools to keep individual banks under their watchful eye. One is the examination of their books and accounts periodically by visiting bank offices, known as onsite examinations.

The other is a remote-control measure under which banks' detailed data are continuously assessed under a system called offsite examinations.

The onsite becomes ineffective under the New Normal Codes of the pandemic situation because, visiting examiners are required to maintain social distancing, wear face masks and face shields, wash hands frequently and keep a record of the people whom they have come to contact while visiting the place. These cumbersome chores do not permit visiting examiners to do a thorough job.

Banks, when they know that examiners cannot do a thorough job, have incentives to misrepresent the facts that cannot be discovered early. Because of this defect of onsite examinations, regulators should strengthen the offsite examinations with a new approach. That new approach is the digital monitoring of banks by connecting them in real time to the ICT system of the regulators.

Need for digital monitoring

In this digital monitoring system, regulators should establish early warning triggers of emerging distresses in banks. This will move regulators from past-looking or post-mortem examinations to forward looking or future oriented examinations.

The present system is a post-mortem examination because the bank regulators examine past data and make judgments about the bank concerned based on them. The past is not even a good guidance for the present, let alone for the future.

That is because systems are fast changing, on one side, and subject to unexpected external and internal shocks frequently, on the other.

This was evident from both the Asian financial crisis of 1997-8 and the global financial crisis of 2007-8. No banking specialist was able to predict them accurately because the good past data had blinded them totally. In this sense, the COVID-19 pandemic which has forced regulators to move for forward-looking monitoring of banks can be regarded as an unintended blessing.

Early Warning Indicators

The Early Warning Indicators or EWIs which PwC has designed for Indian banks in a digital era comes handy for bank regulators desirous of introducing digital monitoring of banks (available at: pwc.in).

The approach is moving from the past as done in conventional monitoring to the future. Hence, it is not a post-mortem examination but a future projection. In the conventional monitoring, key players and the regulators work in separate silos resulting in the discrepancies in the information flow. But in the digital monitoring, all these key players are connected digitally and, hence, are able to know of developments on a real time basis. The conventional monitoring is based on sample analyses covering only key risk areas.

But the digital monitoring enables the regulators to look at the entire data set, known as big data, and use numerous apps available to analyse them instantaneously.

The conventional monitoring is periodic, maybe quarterly or half-yearly, but the digital monitoring that gives regulators access to data in real time can be done immediately. As against the conventional monitoring, the coverage of the digital monitoring is the entire population.

Digital monitoring will also enable regulators to use the data very widely.

The output in conventional monitoring was done manually but in the digital monitoring it is arrived at by using advanced management information systems. Given these advantages and the specific problems created by the COVID-19 pandemic, it behoves both banks and regulators to move to digital monitoring as a priority. But it requires both banks and regulators to get connected to each other digitally.

In summary, the COVID-19 pandemic has changed the rules under which both banks and regulators should play the game. But it has forced the regulators to move into the future rather than playing with the past. That is an unintended blessing which the COVID-19 pandemic has brought in to the banking sector.

For the full article – Refer The Daily FT

3. Exports threatened by resurgence of COVID
By Nimal Sanderatne

- Despite the recent increase in demand for exported goods from Sri Lanka, the country may not be able to reach its targets due to the resurgence of Covid-19 and the associated travel restriction. Due to this Sri Lanka will not be able to get the fully advantage of the increase in global demand.

- The country also experienced a huge revival of export apparel orders from countries the US, UK and the European (EU) countries. This demand might not be met as most apparel factories are not functioning at full capacity. Delay of orders are inevitable and there is a possibility that this might cause the cancellation of the next season's orders. Reduction of exports as well as increase in import expenditure on fuel, food and other essentials will negatively affect the balance of payments this year.

- Government's efforts to keep economic activities such as export manufacturing running will not be successful without significant curtailment of the pandemic in Sri Lanka. Early relaxation of health restrictions and permitting tourist could make matters worse. As such the best option would be to speed up the vaccine process and control the Covid situation, which would automatically revive economic activity.

Merchandise exports are likely to decline this year despite a revival of global demand. The resurgence of COVID, travel restrictions and the island-wide lockdown from May have restricted the capacity of industries to meet export orders. Consequently, merchandise exports that were expected to increase this year, are likely to fall.

It is indeed unfortunate that our capacity to export is stifled just as the global economy is reviving and there is a growing demand for the country's manufactured exports.

Trade deficit

The reduction in exports, together with increased import expenditure on fuel, food and other essentials, are likely to widen the trade deficit and strain the balance of payments this year.

Pre-condition

The containment of COVID in the country is a vital pre-condition for reviving export growth. The success of the current restrictions and the extent and speed of coverage of the vaccine to contain the pandemic will determine the export revival.

Global revival

There is a global revival of trade and the demand for our manufactured exports has also increased. This setback to the country's export production due to the resurgence of COVID is therefore unfortunate.

The uptrend in global export growth and revival of demand for our exports led to expectations of merchandise export earnings exceeding the EDB target of US$ 15 billion for this year. This was owing to the revival of international demand for the country's pre-COVID exports of apparel, ceramics, electrical goods and other exports that were severely affected by the global recession.
While there are increased export orders for these, the demand for personal protective equipment (PPE) too continued. Therefore, there was a prospect of export earnings reaching about US$ 17 to 18 billion in 2021.

Furthermore, there was the prospect of a revival of global demand for solid tyres, boats,electrical goods and other manufactures that were affected by the global economic disruption later this year and in 2022.

Export performance 2021

The export performance in the first four months of the year, before the new wave of COVID and restrictions, led to an expectation of exports achieving and even exceeding, the Export Development (EDB) target of US$ 15 billion this year. This was especially so as exports increased by nearly 200 percent in April this year when compared to that of the poor export performance of April 2020.

Exports

In the first four months of this year, merchandise exports were about 30 percent higher than in the same period of last year before COVID. Merchandise exports were US$ 3.7 billion in the first four months of this year compared to US$ 2.85 billion in the same period last year. The surge in exports in April this year was as much as 183 percent to reach US$ 799 million.
Export industries, especially apparel, had a revival of export orders. There was a prospect of merchandise exports expanding in the next eight months of the year as there was a resurgence of demand for the country's manufactured exports from the main markets in the US, UK and the European (EU) countries.

Reversal

These expectations of increased exports have been severely shaken by the resurgence of COVID, travel restrictions and lockdowns from May. The severity of the restrictions and the spread of the infection has disrupted factory production in several regions of the country.

Supply constraints

The export performance this year will be severely affected by supply constraints rather than global demand. With the rapid resurgence of COVID in most parts of the country and the travel restrictions, export manufacturers are finding it difficult to continue production at full capacity and some have had to even close down.

Constraints

The constraints to export growth this year is not depressed international demand for our exports, it is the inability to meet the demand due to factory closures and limited production capacity.

Factory closures

The worst affected by the resurgence of the COVID-19 pandemic has been the country's premier export: the apparel industry. The current spread of COVID, travel restrictions and lockdown have reduced their production capacity resulting in delays in meeting orders.

Business Times

According to the Business Times article of May 30 by Sunimalee Dias, the apparel industry may be unable to deliver on the US$ 5.1 billion target and may go down to about US$ four billion should the current pandemic conditions continue. The Business Times reported that large numbers of factory workers in various parts of the country were infected with the virus and factories in these areas were functioning at about 65-70 percent capacity. There have also been closures of factories in the Koggala Free Trade Zone due to a widespread outbreak of COVID.

According to reports, factories are running at 40-50 per cent capacity in other areas too due to the rise in COVID-19 infections, travel restrictions and related difficulties. Consequently, orders are delayed and there is a possibility of the next season's orders being reduced.

Summing up

The resurgence of COVID, travel restrictions and the island-wide lockdown from May have stifled the capacity of industries to meet export orders just as global demand for our exports was reviving. Consequently, merchandise exports that were poised to increase has been thwarted. The apparel industry in particular has had a setback with factory closures and reduced production. The expectation of exports achieving the EDB target of US$ 15 billion this year is unlikely. In fact the EDB is in the process of revising its target downwards.

The reduction in exports together with increased import expenditure on fuel food and other essentials are likely to widen the trade deficit and strain the balance of payments this year. It is indeed unfortunate that our capacity to export is stifled just as the global economy is reviving and there is a growing demand for the country's manufactured exports.

Conclusion

Although the government is trying to keep the essential economic activities, especially export manufacture going, this does not appear feasible. The significant curtailment of the pandemic in the country by a large proportion of the population being vaccinated is crucial for the economic recovery.

The undue early relaxation of the health restrictions and imprudent policies like permitting tourists could postpone the country's revival from Covid-19 and even aggravate it.

The containment of COVID in the country is a vital pre-condition for reviving export growth. The success of the current restrictions and the extent and speed of coverage of the vaccine to contain the pandemic will determine the export revival.

For the full article – Refer Sunday Times

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