

## AN EVALUATION OF SAARC NATIONS' GDP MATURATION – WITH SPECIAL REFERENCE TO THE INTERCONTINENTAL OUTBREAK

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### ABSTRACT

This event of a crisis is like no other, and there happens to be a substantial amount of uncertainty about its extreme impact on people's lives and livelihoods. A lot has been dependent on the epidemiology of the virus and the efficacy of containment measures, and the development of restoratives and immunizations, all of which are pretty hard to predict. In addition to the same, many countries are now facing multiple crises—a health crisis, an economic crisis, and a disintegration of commodity prices, which intercept in many complex ways. Government Officials are furnishing unparalleled support to all the households, firms, and financial markets, and, while this is crucial for a strong recuperation, there is reasonable uncertainty about how the economic landscape can look when we surface up from this downscale of lockdown. This article discusses the economic impact of the Coronavirus/COVID-19 crisis across various sectors, industries, and countries of the SAARC Nations. It also imparts approximate figure of the potential global economic costs of COVID-19, and the GDP growth of the SAARC Nations. These SAARC Nations all together includes for 08 countries, and providing estimates of growth and prosperity under different scenarios. The South Asian Association for Regional Cooperation (SAARC) is the regional intergovernmental organization and geopolitical union of states in the South Asia. Its member states include Afghanistan, Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan and Sri Lanka. The SAARC consists of 3% of the total world's area, 21% of the total world's population and 4.21% (US\$3.67 trillion) of the entire global economy, as of 2019. On the overall, this article provides the projections of the economic warfare which is under phase and is yet to subside across the globe assuming that the current rampant cools down and helps the population of the world bring back the pre-crisis scenario across the global economy.

### 1. INTRODUCTION

A Pandemic refers to the rampant spread of a disease across a specific place such as a country or even the whole global scale. Pandemics are cosmic events which have been initiated over many centuries causing a gigantic impact on the collective society and sometimes have been distinctly terminal to many humans in general. People all over the world do get panic stricken when such a situation arises and the after the big hit of the deadly virus HIV/ AIDS from 2005-2012, the next most lethal event causing about 3,18,25,033 number of cases active and 9,76,157 number of demises across the globe as on 23 September 2020. Pandemic such as the COVID-19 are not just a global health impact but is also one of the main factors for the world economy to breakdown because of the same. The impact of the tremor created by this virus has harmed all sorts of sectors across in all corners of the world. Consequentially, incomes have been reduced, the unemployment percentage rising across countries, and interferences have been created in transportation, services, and in manufacturing industries. These are some of the few inflicted areas arising due to the proliferated disease in many countries. It is now highly clear that majority of governments across the globe under evaluated the risks of rapid spread of COVID-19 and was prominently reactive towards the crisis response. It is impossible to predict the movement of current and new disease or virus outbreaks in the upcoming future, proactive and controlled international judgments are required to be taken up by the government authority which will not only save precious human

lives but also contribute to protect global economic prosperity. Towards the same, the International Financial Markets have been laboriously impacted by the effects of rapid movement of COVID-19. As the cases started to increase globally, majorly through the US, Germany, France, Italy, UAE, Spain, and South Korea, the world financial and oil markets significantly declined. Since the start of the year, leading major stock market indices (the S&P 500, FTSE 100, ADX, CAC 40, and DAX) have lost significant amount of their market value and with the oil prices diminished by 16% as of 26 September 2020 in comparison to September 2019.

## **2. CONCEPTUALFRAMEWORK**

### **2.1 Pandemics over Time**

Throughout time, disease or virus eruptions have ravaged humanity and have sometimes changed the path of history. Many times, it had been indicating the end of multiple numbers of civilizations. Most famous worst epidemics and pandemics apart from COVID 19 are Prehistoric epidemic: Circa 3000 B.C. (China), Plague of Athens: 430 B.C. (Athens), Antonine Plague: A.D. 165-180 (Roman Empire), Plague of Cyprian: A.D. 250-271 (Tunisia), Plague of Justinian: A.D. 541-542 (Modern Day – Istanbul), The Black Death: 1346-1353 (Europe), Cocoliztli epidemic: 1545-1548 (Mexico & Central America), American Plagues: 16th century (Western Hemisphere), Great Plague of London: 1665-1666 (London), Great Plague of Marseille: 1720-1723 (France), Russian plague: 1770-1772 (Russia), Philadelphia yellow fever epidemic: 1793 (USA), Flu pandemic: 1889-1890 (Global), American polio epidemic: 1916 (USA), Spanish Flu: 1918-1920 (Global), Asian Flu: 1957-1958 (Global), AIDS pandemic and epidemic: 1981-present day (Global), H1N1 Swine Flu pandemic: 2009-2010 (Global), West African Ebola epidemic: 2014-2016 (West Africa), Zika Virus epidemic: 2015-present day (South America & Central America) Each time one of these viruses was hit at any specific place the trade or financial market was disrupted quite painfully. The damage from the same was something which the government or leaders of specific countries pushed and tried to do their best to ensure that there was some hope for their people within a short span of time which wasn't very easy at all.

### **2.2 Global economy downfall due to pandemic**

Towards June 2020, the global economic anticipations refer to the current and upcoming standpoint of the effect of the COVID 19 prevalent and the spread damage of growth over a long term basis. For the same, the baseline prognostications envisage a 5.2 percent of diminution over the global GDP of 2020. Despite the usage of the market exchange rate, we see the most profound world recession over multiple decades even so with the extraordinary efforts of the government to come back for the declining monetary and fiscal policy support. Over the lengthy horizon, deeper recessions are to be triggered by the extent of the pandemic is to leave few lasting scars in the financial market via lesser investments, an abrasion of the human capital lost due to rescheduling of work and schooling, and wisps of global trade and supply linkages. Based on the World Bank predictions, the global economy will shrink by 5.2% this year and this would be regarded as the deepest recession since World War II, with the greater fraction of the economies of the world experiencing dwindle in per capita output since 1870, as mentioned in the World Bank June 2020 Global Economic Prospects. Amongst many advanced economies, the economic activities is expected to contract upto 7% in 2020 as the in house demand, supply, finance and trade have been critically damaged. Emerging market and developing economies (EMDEs) are predicted to diminish by 2.5% this year, their first decline as a group of economies in at least sixty years. Per capita incomes are contemplated to decline by 3.6%, which will ramp up millions of the population into acute dearth this year. At the incipency projection — assuming that the rampant dwindle predominantly to permit the lift of the domiciliary mitigation measures by the second semester of the year in advanced economies and a bit later in EMDEs, that worst global outlooks should be eased during the rest of the year, and that disruptions in global financial markets are not to last long. It is to be seen that the global ascending of the markets is augured to resurface to 4.2% in 2021 i.e., the advanced economies rise up to 3.9% and EMDEs move back by 4.6%. Although, the outcomes of the effect is distinctly unpredictable and snags risks are cardinal, including the probability of a more prolonged pandemic, bedlam for the financial aspects, and retreat from global trade and supply linkages.

A prospective downward scenario could lead the global economy to contract by as much as 8% this year, continuing to have a static recovery in 2021 of just over 1%, with the outlook from EMDEs recoiling by almost 5% this year. The U.S. economy is forecasted to shrink to 6.1% this year, reflecting the interferences associated with the pandemic-control measures. European GDP is anticipated to diminish 9.1% in 2020 as the widespread upsurge of the pandemic has taken a heavy toll on the economic activity of the continent. Additionally, Japan's economy is predicted to shrink 6.1% as the preventive measures to have taken by the country has slowed down the economic activity. Towards East Asia and the Pacific, growths in these regions are projected to plummet to



0.5% in 2020, the lowest since 1967. In Europe and Central Asia, each of the regional economies have forecasted their GDP's to contract by 4.7% with recessions in nearly all their countries. Latin America and the Caribbean have shocks emanating from the pandemic which might cause regional economic activity to tumble down by 7.2% in 2020. In the Middle East and North Africa, all economic activities in the Middle East and North Africa is foretold to be contracted by 4.2% as a repercussion of the pandemic and oil market depletion. Economic activities in the South Asian regions are estimated to narrow down by 2.7% in 2020 as pandemic alleviation measures impede consumption and services activity and as uncertainty about the course of the pandemic subsiding private investments. Lastly, the economic activities in the Sub-Saharan Africa regions are on the course to slim its GDP by 2.8% in 2020, the deepest and strongest on record. As based on these predictions the World Bank Group has provided their response towards the COVID-19 situation: The World Bank Group one of the biggest sources of funding and knowledge for many developing countries has now been taking a broad and fast action to help developing countries reinforce their pandemic response. They have been supporting many public health interventions, working to ensure the movement of paramount supplies and equipment, and assisting the private sector to continue to operate and sustain jobs. For the current scenario the group will be dispatching up to \$160 billion in financial support over 15 months to provide aid over 100 countries protecting the poor, vulnerable, support businesses, and fortify economic recovery. This comprises \$50 billion of new IDA resources via grants and highly modified loans.

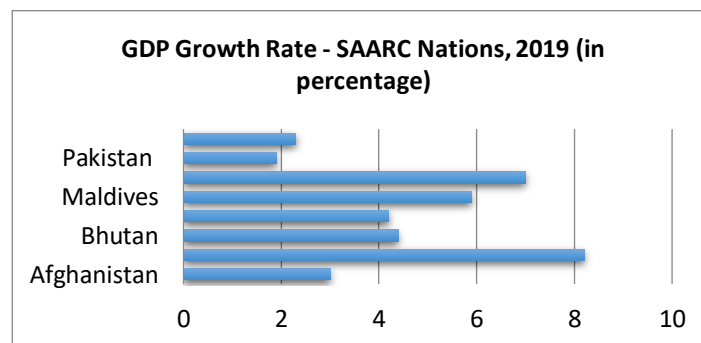
### **2.3 South Asian Association for Regional Cooperation**

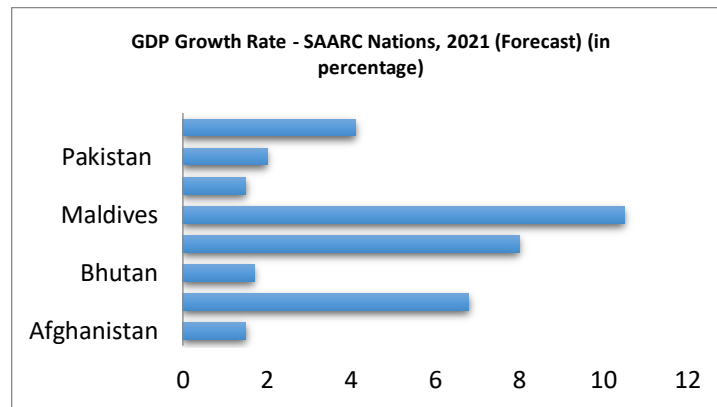
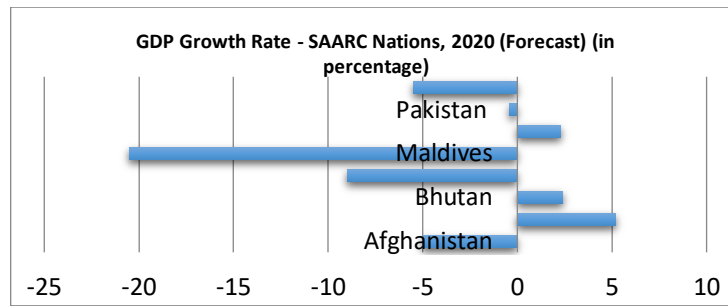
Combination of eight South Asian countries named Afghanistan, Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan and Sri Lanka are called the SAARC Nations. The South Asian Association for Regional Cooperation (SAARC) is a territorial intergovernmental organization and geopolitical guild of states in South Asia. The SAARC consists of 3% of the total world's area, 21% of the total world's population and 4.21% (US\$3.67 trillion) of the entire global economy, as of 2019. The SAARC was founded in Dhaka as on 8 December 1985. Its secretariat is situated in Kathmandu, Nepal. The SAARC has been maintaining permanent diplomatic correlations at the United Nations as an observer and has developed multiple links with multilateral entities, including European Union. The idea of the co-operation amongst South Asian Countries was conferred about in three conferences: the Asian Relations Conference, New Delhi, April 1947; the Baguio Conference, Philippines, May 1950; and the Colombo Powers Conference, Sri Lanka, April 1954. Officially, the union was established in Dhaka with Kathmandu being the union's secretariat-general. The first SAARC summit was held in Dhaka on 7–8 December 1985 and given by the President of Bangladesh Hussain Ershad. The declaration was signed by King of Bhutan Jigme Singye Wangchuk, President of Pakistan Zia-ul-Haq, Prime Minister of India Rajiv Gandhi, King of Nepal Birendra Shah, President of Sri Lanka JR Jayewardene, and President of Maldives Maumoon Gayoom. The SAARC was initiated by seven states in 1985 and added Afghanistan in 2005.

### **2.4 Effects of COVID 19 on SAARC Nations**

Amongst all the countries in South Asia, the SAARC countries have responded proactively to the demoralizing challenge with India being the lead of the same and have pledged about USD 10 million towards the COVID-19 emergency fund, an initiative led by the Indian Prime Minister Narendra Modi in bringing the SAARC leaders together via a video-conference in the month of March amid rising coronavirus cases in the cramped regions. Successively, Nepal and Afghanistan pledged about USD 1 million respectively; Maldives committed to about USD 200,000; Bhutan of USD 100,000; Bangladesh of USD 1.5 million; Sri Lanka of USD 5 million and lastly Pakistan pledged USD 3 million to the emergency fund.

### **2.5 Comparison of GDP Growth Rates**





Source: Asian Development Bank, Asian Development Outlook; September 2020

The Gross Domestic Product (GDP) Rates and Forecasts of all the SAARC Nations are provided in the above mentioned graphs with the growth ratio of an average of 4.6 percent in 2019. The GDP in each of the countries showcase the amount of work done by the population of their respective economy, the highest being in Bangladesh of 8.2 percent and least being in Pakistan of 1.9 percent. However, In case of the year 2020, it is to note that due to heavy surge of spread the pandemic is now forecasted to be very expensive to the entire economy of all the eight countries. Apart from Nepal, Bhutan and Bangladesh; it can be forecasted to see that the economy would not make of output from its population across the rest of the countries and would see an extreme complicated output resulting the GDP to be negative in nature. With the presumption that current situation of the pandemic and its effect slowdown and help and the government and populations to work to move forward and return itself to normalcy having an average of 4.5 percent which can help the union grows in the future years.

### 3. CONCLUSION ANDRECOMMENDATION

#### 3.1 Conclusion

As the outspread of the virus is plausible to continue to derange the economic activity and adversely affect all manufacturing and service industries, particularly in developed countries, it can be expected that the financial markets will resume being volatile in nature. There is however a lingering question as to whether this uncoiled catastrophe will have a persisting structural impact on the global economy or heavily short-term financial and economic ramification. In either case, it is conspicuous that contagious diseases such as COVID-19 have the latent to inflict severe economic and financial costs on regional and global economies. Due to high transiting connectivity, globalization, and economic communion, it has been by far the most difficult and costly situation to restrain the virus and alleviate the importation risks once the disease started to move out in multiple regions of the world. This warrants international collective measures and global investment in vaccine development and dispensation, as well as precautionary measures including capacity building in real-time surveillance and the advancement of contact tracing competencies at national and international levels. As many outbreaks of novel infections are not very likely to fade away in the upcoming future, dynamic international actions are needed not only to save lives but also to shield economic prosperity.

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