

INTERNET-BASED TRADE WILL FLOURISH: PMEAC MEMBER DR ASHIMA GOYAL

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*As part of our continuing series of blogs pertaining to the economic impact of the coronavirus pandemic, R M Consulting reached out to **Dr Ashima Goyal, Member of the Indian Prime Minister's Economic Advisory Council (EAC) and Professor at the Indira Gandhi Institute of Development Research (IGIDR)** for her views.*

Q. Do you foresee a rise in protectionist policies worldwide following the economic devastation caused by the coronavirus pandemic?

Ans. Trade will contract initially because demand will fall. Second, countries that are able to restart production and maintain supply will be in a better position to supply and will gain trade share. Third, supply chains will seek to diversify - reduce dependence on any one country. Fourth, limitations on people movement will continue – Internet-based trade, outsourcing etc will flourish. Fifth, only if there is a prolonged global recession will some protectionist tendencies rise as countries seek to encourage their own industry. It will be worse if bilateral trade agreements come to dominate multilateral agreements and bodies.

Q. If so, what sort of an impact could such rising protectionism tendencies have on Indian business groups having significant international operations?

Ans. It is too early yet to decide, which of these tendencies will dominate. Indian business groups should try to take advantage of three and four above. The Indian government should act to restart supply and to support multilateral trade bodies.

Q. Do you feel that in the current context the Government of India/regulators should play any role in ensuring that “Indian” companies don’t fall victim to hostile takeovers? If so, should such intervention take place even in those instances where the shareholding of the “promoter group” is either almost non-existent or negligible?

Ans. The government of India should help industry recover from this shock. Regulators should strike a balance between allowing risk-taking equity infusion, while ensuring takeovers are in the interests of the majority of stakeholders and customers.