

## POLICY MEMO

# Nine Months of COVID-19: The Impact on South Asia

BY DR. APARNA PANDE

*Director, Initiative on the Future of India and South Asia, Hudson Institute*

AMB. HUSAIN HAQQANI

*Director for South and Central Asia, Hudson Institute*

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## Introduction

Since February of 2020, the eight countries of South Asia have been contending with the devastating effects of the coronavirus pandemic. The region has seen the third-highest death rate in the world from the virus, which originated in Wuhan, China, and brought long-term health impacts the medical community is only beginning to recognize.

The economic consequences of COVID-19 on South Asia are proving to be even greater than the healthcare challenges in the region. Different South Asian countries have dealt with the pandemic in various ways, but the economic costs overall seem to be higher than the healthcare consequences.

A lot has happened in the world's most populous region since the "Crisis from Kolkata to Kabul: COVID-19's Impact on South Asia" report was published in May 2020. This document serves as an update on the progression of the pandemic in South Asia.

## India

According to the Ministry of Health and Public Welfare, as of November 5, 2020, India had tested over 114 million samples for COVID-19.<sup>1</sup> At that time, there were 8.3 million confirmed cases and 124,000 deaths.<sup>2</sup>

On March 23, 2020, Prime Minister Narendra Modi ordered a country-wide lockdown. Since the middle of June, there has been a gradual "unlocking" of the country in three phases. However, as correctly predicted by many of the analysts in our May report, the improperly planned lockdown hurt the economy and poor people without slowing the pandemic. As *Financial Times'* South Asia bureau chief Amy Kazmin wrote in a July op-ed, "for all the human suffering and economic damage it inflicted, India's lockdown failed to flatten—or even slightly bend—the country's coronavirus curve."<sup>3</sup> In early September, India surpassed Brazil and rose to second in the global ranking of COVID-19 cases.<sup>4</sup> After apprehensions in early September

that India would also surpass the United States, there has been a gradual reduction over the last few weeks.<sup>5</sup>

A September 2020 case study published in *Science* magazine analyzed roughly 85,000 COVID-19 infections in the southern Indian states of Tamil Nadu and Andhra Pradesh and provided some of the most robust contact tracing data yet. Researchers found a case fatality rate of roughly two percent. Additionally, while 71 percent of infections resulted in no new cases, five percent of infected people accounted for 80 percent of new cases. This suggests that most of the pandemic's growth is being driven by a small subset of people. After the initial lockdown, the R value (secondary infections for each new case) ranged from 1.1–1.4, suggesting that, at least through the end of July, the two states had not reached herd immunity (which would require an  $R < 1$ ).<sup>6</sup>

Furthermore, while virus levels initially spiked in ultra-dense cities, they are now surging in rural villages. In these areas, citizens are ignoring social distancing decrees and refusing to wear masks, as they believe the government is overstating the severity of the virus.<sup>7</sup>

According to India's National Statistical Office, the Indian economy suffered its worst contraction in decades when it fell 23.9 percent during the April-June 2020 quarter.<sup>8</sup> The contraction came on the heels of an economy that had been growing at around two to three percent before the pandemic, which at that time was India's worst performance in eight years.

As noted in our previous report, the stringent restrictions imposed by the government halted almost all economic activities across the country and caused millions of people, many of whom were daily wage earners, to lose their jobs and revenue streams. During the lockdown, an estimated 140 million people lost their jobs, while many others had their salaries drastically decreased.<sup>9</sup>

International ratings agencies, including Moody's, S&P, and Fitch, slashed India's credit ratings to their lowest investment grade level.<sup>10</sup> Leading international investment bank Goldman Sachs predicted a massive 45 percent economic decline during the April-June quarter compared to the previous quarter. Leading Indian credit rating agency CRISIL referred to the slowdown as "India's fourth recession since independence, the first since liberalization and perhaps the worst to date."<sup>11</sup> Tax revenues have plummeted, state governments are unhappy, and 21 million of India's rare salaried jobs have vanished in the last few months.<sup>12</sup>

The Indian Prime Minister, however, remains as popular as ever. The India Today-Karvy Insights Mood of the Nation (MOTN) poll in August showed that 78 percent of the Indian populace believes Prime Minister Narendra Modi is doing a "good/outstanding" job. Modi's response to COVID-19 has been particularly well-received, and the recent MOTN poll showed higher favorability toward Modi than in the nine polls conducted between February 2016 and August 2020.<sup>13</sup> At the recently concluded elections in the eastern state of Bihar, the BJP-led coalition, National Democratic Alliance (NDA), came back to power.<sup>14</sup>

India's democratic credentials faced challenges even before the onset of the pandemic, and those only seem to have gotten worse. Like many other countries in the region and beyond, India has used the pandemic to clamp down on dissent. Restrictions on media and civil society have increased. In a drastic move, Amnesty India announced in September 2020 that it was closing its operations in India, the only instance of the human rights watchdog closing an office in a democratic country.

On the geopolitical front, the seven-month border standoff between India and China continues unabated. Despite several rounds of diplomatic and military negotiations, there is no sign that the standoff will end soon. The Indian military must now be prepared to stay in position along the 2,167-mile border

through the winter, and there have been two clashes over the last seven months: one in mid-June in Galwan valley and another in August in Pangong Tso.

India's relations with the United States remain on an upward trajectory, with the third "2 plus 2" ministerial taking place at the end of October in New Delhi, the Quad (a strategic group comprised of India, Japan, Australia, and the United States) seeking to become more than a talk shop, and the upcoming Malabar naval exercises between Australia, India, Japan, and the U.S. scheduled for November 2020.

India may seek to play a bigger role in the world, but the focus of its media, elite, and leadership appears to be inward. At a time when the Indian economy slowed down drastically and China took over additional territory along their contested border, the focus of mainstream media was on the death of a Bollywood actor.

## Pakistan

From a peak of over 6,000 daily cases in mid-June to around 1,450 daily cases by the end of September, it appeared Pakistan had managed to do what none of its South Asian neighbors had: achieve a dramatic decline in the number of patients infected daily with COVID-19.<sup>15</sup>

However, over the course of the last few weeks, there has been a steady rise in the number of cases in Pakistan. As of November 5, 2020, the country reached 339,000 confirmed cases and 6,893 deaths.<sup>16</sup>

As detailed in our May report, when the virus first spread, many believed Pakistan faced one of the most serious threats. The government of Prime Minister Imran Khan was the slowest to announce a lockdown and one of the first to lift all restrictions.

Not everyone in Pakistan attributes the country's limited success to effective government policy. According to medical

experts, Pakistan's strategy was to limit testing. On the whole, Pakistan has tested just over 1.2 percent of its total population.<sup>17</sup> Moreover, a seroprevalence study conducted in July in cooperation with the WHO estimated that only 11 percent of Pakistanis have developed COVID-19 antibodies, while 89 percent remain at risk.<sup>18</sup> This empirical evidence raised stark questions regarding the accuracy of the figures reported by the Pakistani government.

Media freedom is extremely limited in Pakistan, and that has continued through 2020. Pakistan opened the country despite the pandemic, and the government has been paranoid about any form of dissent. It has limited freedom of speech and expression by preventing television channels from broadcasting speeches of opposition leaders, arresting media executives, and targeting journalists and human rights activists.

Two years of chaotic rule, an economy in crisis, and the suppression of freedoms led to the rise of an opposition-led movement, the 11-party alliance of the Pakistan Democratic Movement (PDM). Guided by top leadership from key political parties, including the Pakistan Muslim League-Nawaz (PML-N) and the Pakistan Peoples Party (PPP), this movement held three massive rallies in three provinces (Gujranwala, Punjab; Karachi, Sindh; and Quetta, Balochistan). These rallies have placed pressure on both the government of Imran Khan and the military establishment, and what happens next remains to be seen.

## Afghanistan

As of November 5, 2020, there were 41,814 confirmed cases of COVID-19 and 1,548 deaths in Afghanistan.<sup>19</sup> As stated in our May report, the response of the Afghan government was slow, and the country had difficulty tracking, testing, and isolating new cases. Timely financial assistance from international organizations like the World Bank helped the Afghan government boost testing capabilities and

provide necessary personal protective equipment to health professionals.

According to an August 2020 report published by the country's Ministry of Health, nearly a third of Afghanistan's population—around 10 million people—were infected by the novel coronavirus. However, most experts believe the numbers are actually much higher.<sup>20</sup>

Similar to its neighbors, Afghanistan's economy is set to contract between 5.5 percent and 7.4 percent in 2020, causing more people to fall under the poverty line and leading to a sharp decline in government revenues.<sup>21</sup> According to the World Bank, "the proportion of Afghans living in poverty may increase from 55 percent in 2017 to between 61 percent and 72 percent in 2020 because of declining incomes and rising prices of food and other vital household goods."<sup>22</sup>

Despite attempts to find peace in Afghanistan, there appears no end in sight to its conflict, especially with the Afghan Taliban and the Islamic State (IS) continuing their violent attacks across the country. People in Kabul and Islamabad will be looking to the results of the American presidential election and waiting to see what the incoming administration's policies will be concerning Afghanistan, on both military and economic fronts.

## Bangladesh

As of November 5, 2020, there were 416,000 confirmed coronavirus cases and 6,021 deaths in Bangladesh. While the number of daily new cases has considerably decreased from the country's peak in June, there are still around 1,500 people testing positive for COVID-19 daily.

Bangladesh is the second most affected country in South Asia, falling behind only India. Testing levels in Bangladesh have dropped considerably since the government introduced a high testing fee in July. In addition, there are numerous reports of fraudulent negative test certificates being readily available.

As indicated in our May report, the pandemic heavily impacted household- and individual-level earnings in Bangladesh. According to a survey by Power and Participation Research Centre (PPRC) and the BRAC Institute of Governance and Development (BIGD) at BRAC University in April 2020, between two thirds of the main earners of any family in both rural and urban areas lost jobs between February and April. While there was some recovery in the following months, the unemployment rate for men varied between 8-20 percent depending on the sector while that for women was nearer 50 percent.<sup>23</sup>

The Bangladesh Institute of Development Studies (BIDS) and the Center for Policy Dialogue expected the national poverty rate to increase between 25-35 percent because of the adverse effects of the pandemic.<sup>24</sup> According to BIDS, 16.4 million joined the ranks of the population below the poverty line due to COVID-19.<sup>25</sup>

The pandemic has taken a heavy toll on almost all sectors of Bangladesh's economy. Exports have fallen by 16.93 percent and imports by 17 percent. There has also been a decline in average revenue for all small and medium enterprises by 66 percent during 2020 compared to 2019.<sup>26</sup>

The only exception has been the country's remittance inflow, which has seen an 11 percent increase in 2020.<sup>27</sup> This trend is visible across the region, but it should be considered with caution. The rise in remittances is likely a short-term trend for a couple reasons. First, it is a consequence of more workers returning home to Bangladesh because of loss of jobs due to COVID-19 and hence sending their savings back home. Second, it is a consequence of the closure of hawala, or non-formal financial networks, which resulted in the use of formal banking networks. Unless the jobs that have been lost are recovered, and blue- and white-collar workers return to the Middle East, the United States, or other countries, we expect a decline in remittances over the long run.

## Nepal

As of November 5, 2020, there were 186,000 confirmed coronavirus cases and 1,052 deaths in Nepal. In recent months, the South Asian nation has seen a spike in the number of new cases, with a peak of 2,020 new daily cases in mid-September.<sup>28</sup>

The pandemic hit all provinces and districts of the country, with the capital of Kathmandu impacted the worst. After the national four-month lockdown ended in mid-July, the federal government allowed local authorities to impose lockdowns in their jurisdictions on the basis of reported coronavirus cases.

According to a report released by the Asian Development Bank, COVID-19's impact will touch every sector of the Nepali economy, shaving up to 0.13 percent off the gross domestic product and rendering up to 15,880 people jobless.<sup>29</sup> The World Bank has warned that the pandemic could push about one-third of the country's population below the International Poverty Line.<sup>30</sup>

The India-China border standoff also had an impact on both India-Nepal and Nepal-China relations. Nepal released a new map claiming additional Indian territory while also obtaining additional assistance from China under the BRI (Belt and Road Initiative), an act that officials in Delhi viewed with suspicion. However, China's aggression at the border also included attempts to take over Nepalese territory, and this, along with Delhi's backroom diplomacy, has helped alleviate India-Nepal tensions.

## Sri Lanka

As of November 5, 2020, there were 12,187 confirmed cases and only 24 deaths in Sri Lanka.<sup>31</sup> As alluded to in our May report, Sri Lanka has the best healthcare infrastructure in the region, and the government's response helped mitigate the pandemic's impact on the country, at least on the healthcare front. Since this report's last update, Sri

Lanka continues to maintain a low death count, despite additional confirmed cases.

Early lockdown, a high testing rate, and effective social distancing measures proved key for Sri Lanka in the fight against the pandemic. As a result, the nation kept the infection rate low; only around 0.000157 percent of the population has contracted the virus.<sup>32</sup> In contrast to many of its South Asian neighbors, Sri Lanka conducted 930 tests for every one million people between March and April.<sup>33</sup>

After Pakistan, Sri Lanka is the South Asian economy most indebted to China, and the pandemic has only worsened that situation. A few weeks into the pandemic, Sri Lanka sought a \$100 million loan from China, and in October, officials in the Sri Lankan capital city of Colombo announced an additional loan of \$90 million from Beijing.<sup>34</sup>

## Conclusion

The COVID-19 crisis has imposed heavy costs on almost every nation in South Asia. When done incorrectly, lockdowns can

result in high economic consequences and minimal life-saving benefits. While lockdowns can be incredibly useful, they need to be implemented strategically. Without the complements of extensive testing, contact tracing, mask wearing, and other important measures, lockdowns can bring more harm than help.

Most South Asian nations have poor healthcare infrastructure and are home to large numbers of people living below the poverty line, setting the foundation for uphill battles when tackling health crises. In order to ensure a safe return to normal life and a resumption of economic activity, South Asian governments would benefit from focusing more on the development of human capital.

Geopolitically, as we mentioned in our May report, China's attempts to deepen its strategic and economic ties with countries in the region will be countered by India and its partners, Japan and United States. The global US-China peer competition will also play out in South Asia, with Pakistan and Sri Lanka becoming closer to China and other countries safeguarding their options.

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## About the Authors

### Ambassador Husain Haqqani



Ambassador Husain Haqqani is a senior fellow and director for South and Central Asia at Hudson Institute. He served as Pakistan's ambassador to the United States from 2008 to 2011 and is widely credited with managing a difficult partnership during a critical phase in the global war on terrorism. Amb. Haqqani's distinguished career in government includes serving as an advisor to four Pakistani Prime ministers: Yusuf Raza Gilani, Benazir Bhutto, Nawaz Sharif, and Ghulam Mustafa Jatoi. He also served as Pakistan's ambassador to Sri Lanka from 1992 to 1993. He is the author of four books, the most recent being *Reimagining Pakistan: Transforming a Dysfunctional Nuclear State* (HarperCollins, 2018).

Amb. Haqqani was formerly director of the Center of International Relations, and a professor of the practice of international relations at Boston University. Amb. Haqqani received his bachelor's and master's degrees in international relations from the University of Karachi.

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### Dr. Aparna Pande



Aparna Pande is a research fellow and the director of Hudson Institute's Initiative on the Future of India and South Asia. She wrote her PhD dissertation on Pakistan's foreign policy. Her major field of interest is South Asia with a special focus on India, Pakistan, Afghanistan, Foreign and Security Policy. She is the recent author of *Making India Great: The Promise of a Reluctant Global Power* (HarperCollins, 2020).

A 1993 graduate of Delhi University, Aparna holds a Master of Arts in History from St. Stephens College at Delhi University and a Master of Philosophy in International Relations from Jawaharlal Nehru University. Aparna Pande received a Doctorate in Political Science from Boston University in 2010.



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1201 Pennsylvania Avenue, N.W.  
Fourth Floor  
Washington, D.C. 20004

+1.202.974.2400  
[info@hudson.org](mailto:info@hudson.org)  
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