Forum IAS

7 PM COMPILATION

1st- 5th July, 2020

Features of 7 PM compilation

- **Comprehensive coverage of a given current topic**
- **Provide you all the information you need to frame a good answer**
- **Critical analysis, comparative analysis, legal/constitutional provisions, current issues and challenges and best practices around the world**
- **Written in lucid language and point format**
- **Wide use of charts, diagrams and info graphics**
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What ails India's Model BIT?
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Rebooting tribunals and recalibrating delivery of justice
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What ails India's Model BIT?
Source: TheHinduBusinessline

Introduction

The COVID-19 pandemic has forced the economies worldwide to transform and re-orient their policies, so as to save themselves from the impending economic recession. And, India is no exception.

The suspension of economic activities due to the unprecedented 82-day lockdown has further accentuated the economic deceleration in India. Even before Covid-19 pandemic, the GDP already plummeted to 4.5% and macroeconomic indicators were estimated to fall to multi-year and decadal lows.

Thus, India cannot ill-afford to lose the emergent opportunities to attract foreign direct investments (FDIs) looking to relocate away from China. India also needs to look for alternatives for China to attract FDI's. But its 2016 Model Bilateral Investment Treaty is protectionist in scope.

What do you understand by Bilateral Investment Treaty (BIT)?

A BIT is an agreement between two countries that sets up "rules of the road" for foreign investment in each other's countries. BITs typically serve to protect investments made by investors on a reciprocal basis, specifying conditions on regulatory oversight of the host state and limiting interference with the rights of foreign investors.

Importance of Bilateral Investment Treaty (BIT)

- **Protection to country's foreign investment:** When countries (X and Y) enter into a BIT, both countries agree to provide protections for the other country's foreign investments that they would not otherwise have.
- **Attracting FDI's:** BITs have always played a critical role attracting FDI inflows.
    - **Case Study: India**

BITs have been one the major drivers of FDI inflows into India. A 2016 study by Niti Bhasin and Rinku Manocha suggests that by providing substantive protection and commitment to foreign investors, BITs indeed contributed to rising FDIs in the 2001-2012 period.

- **Right of National Treatment:** A BIT ensures that foreign governments (X) will treat investors from Y the same as domestic companies; this right is known as "national treatment."
- **Most favoured Nation (MFN):** BITs also guarantee that investors from Y are given the same types of preferences that other foreign investors are given in a market (X), also called "most-favoured nation" treatment.
- **Fair and Equitable basis:** Under a BIT, governments also commit to treat each other investors on a "fair and equitable" basis in accordance with international law.
- **Prevents expropriation:** BITs limit foreign governments' (X) ability to take over Y investments in their country. If such an expropriation does happen, BITs ensure governments compensate investors in a fair and timely manner.

What is the need to have an attractive Bilateral Investment Treaty (BIT) during this pandemic?

India's economy has four major drivers — people's spending on consumption, government spending, investment and external trade.

- **Consumption Expenditure:** For every 100 rupees in incremental GDP, ₹60 to ₹70 comes from people's consumption spending.

    - The government's response has arguably been constrained by the lack of fiscal headroom to augment real budgetary support to households.
- **Government Expenditure:** Central government revenues for this year were budgeted at 10% of GDP which will not be achieved. Revenues will likely fall short by two percentage points of GDP.
- **External Trade:** Even prior to COVID-19 when the global economy was robust, India's trade levels had fallen from 55% of nominal GDP in 2014 to 40% in 2020. Now, with the global economy in tatters, trade is not a viable alternative to offset the loss from consumption.

Despite being among the top 10 global destination for FDI in 2019 and leapfrogging to 63rd rank in World Bank's Ease of Doing Business rankings, the inflows have remained at sub-2 per cent of GDP.

FDI-equity inflows to India during 2019-20 were $49.9 billion, substantially lower than the annual flow of remittances of $83 billion in the same period. Therefore, India must overcome the investment hurdle by relooking at the Model BIT in order to boost the fourth driver i.e. investment.

Journey of India's Bilateral Investment Treaty (BIT)

India signed its first BIT in 1994 with United Kingdom (UK). The India-UK BIT served as the base template for India to negotiate further BITs. The Indian model of BIT, 2003 contained close semblance with the India-UK BIT. From 1994 to 2011, India had signed more than 80 BITs and ratified over 70.

However, India framed a Model BIT in 2016. Since its adoption, India has unilaterally terminated 66-odd BITs between 2016 to 2019. It had sent negative signals to the global investor community on the grounds of being protectionist. This is evident as no country has shown an inclination to re-negotiate based on the Model BIT. Since 2016, India has signed just three treaties, none of which is in force yet.

What led India to frame a new Model BIT in 2016?

The penalty awarded by an Investor-State Dispute Settlement (ISDS) tribunal in the White Industries case in 2011, and subsequent ISDS notices served against India in a wide variety of cases involving regulatory measures (for example, imposition of retrospective taxes, cancellation and revocation of spectrum and telecom licences) led to a review of the BITs.

Important features of Model Bilateral Investment Treaty (BIT) 2016

- **Enterprise based definition of investment:** The Model BIT has adopted an 'enterprise-based' definition of investment. Under it, investment is treated as the one made by an enterprise incorporated in the host state. The earlier 'asset-based' definition of investment included intellectual property and other assets, which are not considered under the new definition.
- **Exclusion of MFN Treatment:** The exclusion of MFN treatment status (previously provided) is one of the most important feature.
- **Full protection and security (FPS):** FPS means obligations would be related to physical security of investors and their investments.
- **State government as stake holders:** Actions of state are included under the Model BIT.
- **Expropriation:** Model BIT prevents nationalization of assets of foreign companies except "for reasons of public purpose" in accordance with the procedure established by law and on payment of adequate compensation.
- **Non-discriminatory treatment:** The Model BIT includes a new clause on non-discriminatory treatment. Under the new clause, investors can avail non-

discriminatory just compensation in circumstances like armed conflict, natural disasters and in the state of national emergency.

- **Corporate social responsibility:** The Model BIT mandates foreign investors to voluntarily adopt internationally recognized standards of CSR.
- **Conditions for initiating arbitrations at international platforms:** The Model BIT stipulate that the aggrieved investor should use all local remedies available before initiating international arbitration. Investor can use outside remedies only five years after resorting to all domestic arrangements.
- **Excludes matters related to taxation:** It was configured in the context of excess legal arbitration against the state.

Issues with the Model Bilateral Investment Treaty (BIT), 2016

- **Narrows down the definition of investment:** Adoption of enterprise-based definition contains vague criteria such as the requirement of enterprises to satisfy 'certain duration' of existence without specifying how much, or, investments having 'significance for development of the party in whose territory the investment is made' without specifying what amounts to 'significant' contribution. It leaves room for uneven interpretation by judicial bodies.
- **Clause mandating exhaustion of domestic remedy prior to initiating international arbitration proceedings:** According to the 'Ease of Doing Business 2020' report, India currently ranks 163 out of 190 countries in ease of enforcing contracts, and it takes 1,445 days and 31 per cent of the claim value for dispute resolution. This new clause puts extra burden on the investors.
- **Model BIT has done away with the 'Fair and Equitable Treatment' clause:** Model BIT included a detailed 'Treatment of Investments' clause with a broadly-worded undertaking that neither party shall subject investments to measures that are manifestly abusive, against norms of customary international law and to un-remedied and egregious violations of due process.

The Model BIT simplistically assumes that a foreign investor shall have complete confidence on domestic judicial interpretations and mechanisms.

Conclusion

The looming economic recession triggered by the Covid pandemic has made attracting FDI an urgent imperative for improving economic outcomes. Make in India 2.0 and liberalization of FDI are steps in the right direction. But, Government must adopt a more pragmatic and balanced approach in the 2016-Model BIT on the lines of the US-Korea BIT, CPTPP, CETA, MERCOSUR Protocol to name a few.

Regulatory activism will do more harm than good as in retaliation foreign jurisdictions may reduce protection for Indian companies exporting capital goods. As global companies contemplate moving their investments away from China, it is an opportune time to review and revise the Model BIT from the present inward-looking protectionist approach, to a more pragmatic one.

Question:

Q.1) How is Model Bilateral Investment Treaty (BIT) 2016 different from its previous model? Highlight the issues plaguing the Model BIT 2016 and also suggest measures to strengthen it. [15 Marks 250 words]

Rebooting tribunals and recalibrating delivery of justice
Source: Livelaw

Introduction:

The 42nd amendment of 1976 added Part XIVA to the constitution. Articles 323A and 323B in this part provides for tribunals. Parliament and state legislatures can establish tribunals through law.

Tribunals are quasi-judicial bodies which adjudicate matters which are relating to subjects which are assigned to them. CAT – Central Administrative Tribunal is an example which deals with matters related to public services of union government.

What has happened:

Finance act of 2017 provided for the executive to decide on criteria of appointment and removal as well as terms of service. In pursuance of the same central government had notified Tribunal, Appellate Tribunal and other Authorities (Qualifications, Experience and other Conditions of Service of Members) Rules, 2017.

In the Rojer Mathew case(2019), Supreme court had struck down these rules citing they are against judicial independence and asked the centre to frame rules as per previous judgments of court.

The Centre has notified new rules in February 2020. These new rules are being criticized as being against earlier judgments of the supreme court.

Supreme court judgments have repeatedly emphasised independence of these tribunals from executive and streamlining of their functioning to ensure separation of powers. Major cases in this regard are:

1. RK Jain Vs Union of India(1993);
2. Chandra Kumar Vs Union of India (1997),
3. Union of India Vs R Gandhi (2010),
4. Madras Bar Association Vs Union of India (2014)
5. Rojer Mathew Vs South Indian Bank Limited 2019

New rules in contravention of judgments:

- Chandra Kumar (1997) and R.Gandhi(2010) judgments ordered that tribunals should not be under ministries against which orders have to be passed. New rules have not incorporated the same.
  - It leads to conflict of interest where ministries control infrastructure, finances and staffing of tribunals under them. Complaints against tribunal members are also received by ministries which can be misused for quid pro quo.
- New rules provide for the secretary of the relevant ministry to be part of the selection committee for members of the tribunal. Further, such selection committees can function even without judicial members.
  - Madras Bar association judgment had discouraged inclusion of secretaries due to conflict of interest. In addition, primacy of judicial members in selection committees was ordered by the Supreme Court. New rules have flouted both these
- New rules provide for 4 year tenure of tribunal members with an upper age of 65 years. In R. Gandhi judgment (2010), court called for 5-7 year tenure.
  - With 4 year tenure under the rules, judicial members will be disadvantaged as retirement age is 62 years for high court judges and only 3 years' service will be possible.
- Prohibition imposed on further employment under state and central governments is removed. It may compromise judicial independence emphasized in court judgments.

- In R.Gandhi judgment (2010), vague qualification criteria for Members such as experience in economics, business, commerce, nance, management etc was struck down.
  - New rules, in contravention to judgment, have included such criteria for some tribunals like armed forces tribunals.

Solutions to recalibrate tribunals to promote efficient justice delivery:

1. The Supreme court must deal with only exceptional cases dealing with points of law, constitutional matters of general importance. In most cases the high court must be the final arbiter and the special leave petition (Article 136) to the supreme court must be accepted sparingly. This ensures reduced burden on the judiciary which is the original intent of tribunals as observed in Bihar Legal Service Society(1987), L Chandra Kumar and Rojer Mathew
2. Tribunals must be created only in subjects of high technicality. In these cases, eligibility criteria must not be vague as specified in R.Gandhi judgment.
3. Tribunals must function only under the Ministry of Law and Justice(MoL&J) and not under parent ministries to prevent conflict of interest. Income tax appellate tribunal is currently under MoL&J.
4. National tribunals commission was suggested in Rojer Mathew judgment as an overarching body to regulate appointments, tenure and terms of employment
5. Instead of more tribunals, stable rosters to High court judges can promote specialization. Economic survey 2017-18 pointed out taxation benches in supreme court led to reduced pendency due to specialization.
6. Tribunals can be created in the judicial system. This improves case disposal efficiency as courts can assign new judges in case of vacancies instead of stopping adjudicatory proceedings. It also brings new perspectives in addition to views of specialists
7. Intra court appeals in high courts to be increased along with making some subject matters final in high courts. This provides accessible and affordable remedy to people and unburdens the supreme court. It must be explored as alternative to proposed 'court of appeal' between High courts and supreme courts

Going ahead:

Reforms to revitalize tribunals are being pursued actively by the government. Opposition to such reforms is seen with ministries. With political will to tackle these issues, and on the strength of existing judgments of the Supreme Court, reforms need to be implemented at the earliest in line with the vision of the political executive, the spirit of the Constitution and the decisions of Constitutional Courts take full effect and shape

Mains Question:

Q.1) What are quasi-judicial bodies? Have the tribunals in India served their purpose? What steps can be initiated to improve efficiency of tribunals? [15 marks, 250 words]

Infrastructure bonds could Aid a Economic Recovery
Source: Indianexpress

Context:

COVID 19 has brought global economic activity to a standstill. IMF estimates global GDP to contract by 4.9% in 2020-21. Indian GDP is also expected to contract this year as per RBI estimates.

To tackle this economic downturn, Atmanirbhar Bharat Abhiyan was announced by the government. It has policy measures like credit increase and guarantees, institutional reforms in areas like agricultural marketing. These measures provide liquidity support in near term and also institutional reforms for medium to long term growth.

Yet, to revive GDP growth in short to medium term, demand revival is needed. Let us understand levers of demand in an economy and which policy measure can aid in economic revival

Determinants of demand in an economy:

Keynesian economics provides for 4 determinants of demand. They are:

1. Consumption (PFCE-Private Final consumption expenditure)
2. Investments (GFCF – Gross Fixed Capital Formation)
3. Government expenditure (GFCE)
4. Net exports (NEX) i.e. difference between exports and imports determined by trade

For revival of GDP, any one of these components must be expanded.

Ineffectiveness of PCFE, GFCF and NEX for growth revival in India:

In recent years, reduced credit supply led to reduction of consumption (PCFE) and investment (GFCF) in India. Despite bank clean-up of NPA's, credit availability is not optimal due to risk averse banks. Further, IL&FS crisis and resultant NBFC liquidity crisis had led to further reduction in credit availability. Due to economic uncertainty during COVID, banks will further reduce lending to avoid risk. This will negatively impact consumption (PCFE) and investment (GFCF).

In addition, due to anticipated job losses and pay cuts, households will reduce consumption on non-discretionary items and move towards precautionary savings. Hence consumption alone cannot revive demand.

Investments for new business expansions will also be unlikely due to low credit availability, economic uncertainty and low capacity utilization. RBI had reported capacity utilization of 68.6% in quarter 3 of FY 2019-20. This is not optimal as a minimum of 75% is needed for new expansions. Due to reduced revenues and credit downgrades, existing problems will increase leading to reduced investments.

Global trade contracted by 4.3% in March and this trend is expected to continue in near future. US-China trade war, disruptions of global value chains due to COVID 19 pandemic severely impacted global trade. Hence there is little room for more exports to revive growth.

Government expenditure to revive growth:

Only government expenditure can revive growth due to the subdued role of consumption, investments and trade. In pursuance of this, Infrastructure investment by the government has high returns in terms of growth revival. S&P estimates, 1% of GDP spend on infrastructure can boost real growth by 2% while creating 1.3 million direct jobs. Infrastructure creates long term assets while addressing supply and demand in the economy.

Infrastructure investment during an economic downturn is historically proven counter cyclical strategy. New deal in US during great depression; Germany's revival post World war 2 and Chinese infrastructure investments after 2008 global financial crisis were examples. China has announced $ 600 billion special bonds for economic revival post covid. India too can invest in infrastructure to complete NIP – National Infrastructure Pipeline

Development Finance institution and infrastructure bonds:

India has DFC-development finance institutions like IIFCL (India Infrastructure Finance Company Ltd), IRFL (Indian Railway Finance Corporation) and NIIF(National Infrastructure Investment Fund). But their scale and functioning is inadequate. Hence a single unified DFC can better leverage its assets to mobilize funds for infrastructure projects. This DFC must issue infrastructure bonds to fund projects of NIP.

It has following advantages:

1. DFC can reduce risks of banks in credit for long term infrastructure investments. This can lead to greater lending by banks to businesses which will revive investment and hence growth.
2. Municipal bonds and state government bond markets can be deepened.
3. Global funds such as sovereign funds can be mobilized
4. Bond markets for infrastructure bonds can be deepened in India. This solves a bottleneck in financing.

Conclusion:

Without demand revival, liquidity infusion will not be effective. In times of economic uncertainty due to COVID, only government spending can boost demand. A DFC and infrastructure bonds can be the best tool for the government to provide such stimulus.

Mains Question:

Q.1) What are development finance institutions? Discuss their role in economic growth especially in context of crises like COVID 19? [15 marks, 250 words]

Does India have a culture of Rule of Law?
Source: www.livelaw.in

Introduction:

Global Rule of law Index, 2020 (carried out by the World Justice Project) ranks India at 69 out of 128 countries.

India ranks high on factors such as constraint on government powers by legislature and judiciary; open government; due process in administrative procedure; and civil and criminal justice systems free of improper governmental influence.

But rank is poor in indicators of discrimination-free civil justice system, impartiality in the criminal system, respect of fundamental rights, equal treatment and absence of discrimination, government officials in police and military not using public office for private gain and people not resorting to violence to redress personal grievances. Nepal and Sri Lanka ranks better than India in these parameters.

This shows how India has good structure for rule of law but poor culture of rule of law. Let us understand rule of law, culture of rule of law and evaluate it in Indian context.

Rule of law:

Living in a society, we subscribe to a set of laws with the understanding that these laws are for universal benefit – for an orderly and secure life. We accept these rules despite intrusions into what would otherwise be our absolute rights or liberties.

Rule of law is a principle in governance in which all persons, institutions and entities, public and private, including the State itself, are accountable to laws that are publicly promulgated, equally enforced and independently adjudicated, and which are consistent with international human rights norms and standards.

It has following characteristics:

1. Supremacy of law
2. Equality before the law
3. Accountability to the law
4. Fairness in the application of the law
5. Separation of powers
6. Participation in decision-making

In India's legal system, we have all these characteristics. Indian constitution provides for separation of powers, equality before law(Article 14); constraints on government through laws and fundamental rights along with an independent judiciary to enforce them(accountability). Hence India has rule of law.

But in a society, social norms largely shape and govern daily existence; legal norms may be largely irrelevant to social conduct. Hence if cultural norms do not inculcate rule of law as a value, laws will be ineffective. Dowry prohibition acts are an example of this.

Culture of rule of law:

It is a shared ideal where most members of a society, believe in, respect, and generally abide by the agreed-on laws. This makes rule of law resilient where any flouting of laws a temporary phenomena rather than common day occurrence. This culture has civic participation at its heart. All sections of people participate in law making and follow these laws.

In case of unacceptable laws, social outcries, protests, civil disobedience etc ensure that there is peaceful resolution of grievances. Even in these peaceful protests, underlying belief is that laws should be just and fair. Gandhiji's Satyagraha was an example of this where the Rowlatt act was opposed.

In Indian context, inculcating this culture of rule of law has been a challenge at all levels of society and institutions. Following incidents and daily life experiences support this view:

1. During COVID crisis, flouting of social distancing norms by political leaders and legislators for rallies and marriages is an example.
2. Custodial deaths in Thoothukudi and encounter killing in DISHA case of Hyderabad.
3. Impartiality of ECI – Election commission of India came under scanner during 2019 general elections.
4. Families and societies still follow dowry practices, gender selective abortions despite banning them
5. Delhi riots saw destruction of public property
6. Individuals flout basic laws like not skipping queues, not jumping red lights, not riding motor vehicles on footpaths, not littering in public places

Such incidents reinforce perceptions like "Everyone does it(corruption, flouting laws etc)", "Chaltai hai" and "law is not applicable for influential and privileged". This leads to loss of public trust and leads to fear of state. In countries with high diversity like India, this is aggravated and leads to problems like Naxalism, Communalism, Regionalism.

In contrast, in countries like JAPAN, cultural norms inculcate respect for law and adherence of law even if one disagrees. This has translated into people waiting at traffic lights and no wrong direction driving etc.

Inculcating culture of rule of law in India:

Mahatma Gandhi said, "A nation's culture resides in hearts and in the soul of its people". Hence active participation of all sections of society is crucial in engendering a culture of rule of law. This culture must be socialized into people right from childhood.

Such socialization needs:

1. **Leading by example**: People with power i.e political leaders and public servants must adhere to laws.
2. **Impartial, integral and accountable institutions**: Institutions must penalize individuals flouting laws and uphold public service values.
3. **Value formation since childhood**:
    a. Parents and teachers who influence value formation must set right examples in following laws
    b. Constitutional values like justice, liberty, fraternity, Fraternity must be inculcated
    c. Fundamental duties(Part IVA) need to be aided by

Only through such deeply ingrained culture of rule of law can we achieve true progress, unhindered by those who would flout the law.

Conclusion:

Every individual must inculcate culture of rule of law by understanding that adherence to laws leads to greater self and societal interest. Everyone benefits when you follow the laws, and that you benefit when everyone follows the laws must be the guiding principle. As Gandhiji says – ""Be the change you want to see in this world".

Mains Question:

Q.1) What is the rule of law? Does India have Rule of law both in letter and spirit? How can we inculcate a spirit of rule of law in India? [15 marks, 250 words]

Priorities For Post Pandemic Economic Recovery
Source: www.business-standard.com

Context:

COVID 19 pandemic has brought global economic activity to a standstill due to movement restrictions and lockdowns. Expectations of a V shaped quick recovery of the economy have been proven wrong. IMF estimates global GDP contraction of about 5% and trade contraction of 4.3% in 2020-21. Only by the end of 2021 will global GDP become the same as 2019. This points to a gradual recovery.

Macroeconomic outlook:

Spending of households and firms will come down due to policies to tackle pandemic and precautionary behaviour in anticipation of economic uncertainty.

- Sectors with human contact will contract. Sports activities are example
- Salary cuts and job layoffs will deter households from non-essential spending. This weakens overall demand in economy
- Weakened liquidity, reduced availability of credit and economic uncertainty will prompt firms to withhold new investments
- Trade decline will reduce demand in economy directly and indirectly(layoffs in export oriented firms)

This leads to dramatic changes in consumption and production patterns which inturn will bring about a structural transformation in the economy. People preferring digital means over physical in areas like education, newspapers etc is an example.
This sudden structural transformation gives rise to problems. These are:

- Sectors which are emerging are less labour intensive and more skill intensive. This imposes problems of reskilling. Market forces are unable to adapt to these sudden transformations.
- Income and substitution effects: Spending on emerging sectors cannot compensate for reduced spending in declining sectors due to declining incomes. This leads to overall contraction of demand and hence growth.
- Automation driven inequality: Unskilled work will be automated to reduce dependency on labour. Firms will prefer this to circumvent labour shortages which arose due to pandemic. This will lead to reduced incomes of low income households and hence increase inequalities.

In such structural transformation, monetary policy can address liquidity concerns of firms. But it cannot address solvency of firms. In addition, if policy rates are near zero, monetary policy will be ineffective in economic stimulation.
At the same time, Fiscal policy is constrained by limits on deficits and borrowing. Hence there is a challenge in mobilization of funds needed for unemployment allowances, health care, social support for the vulnerable.

Priorities for quick economic recovery:

1. Addressing healthcare requirements and containing pandemic: Provision of adequate PPE's, testing kits, hospital beds etc to control spread. Without containing the virus, no reliable economic recovery is possible. Reinfected countries reimposing lockdowns shows this.
2. Providing short term liquidity to prevent bankruptcies
3. Social support policies for vulnerable to prevent poverty and inequalities rise
4. Maintaining worker – firms relationships to quickly restart production after the virus is contained.

Conclusion:

Fiscal and monetary stimulus must consider priorities while allocating resources. Care must be taken that public funds are not used to support unviable firms whose decline is not due to pandemic. US federal reserve support to the junk bonds market is an example of such misallocation of funds.

Funds must be channeled to those firms which contribute to social and racial justice, improve health care and shift to a greener economy. This will enable sustainable economic recovery by creating employment and growth.

Mains Question:

Q.1) In the context of reduced demand and supply due to COVID 19 pandemic, what should be priorities for sustainable economic recovery? [15 marks, 250 words]

Business Ethics in a Post COVID World
Source: www.livemint.com

Introduction:

Business ethics refers to values that businesses must adhere to in their functioning. These values showcase the purpose of the organization.

Business and ethics are not opposite and business ethics makes economic sense. Business ethics promote trust in the stakeholders – customers, regulators, governments, suppliers and wider community. Tata is an example where the organization has earned the trust of many. On the other hand, lack of business ethics leads to deep mistrust as seen in private health care.

Purpose of business is not just about profit. It is about producing profitable solutions to problems of people and the planet and in the process earning profits. Trustworthiness and values must be the foundation for any business. Only through honesty, integrity and commitment to purpose, can trust be generated.

In times of crisis like COVID 19 pandemic, ethical behavior (Values and purpose) is a must to survive and thrive.

Business ethics during COVID pandemic:

By providing solutions to challenges during crisis through Corporate social responsibility, business will show that their purpose beyond pure profits. Examples of some businesses doing this are automotive producers producing ventilators; alcohol manufacturers producing sanitizers; fast food outlets providing nutritious food to needy. Such adaptation ensures businesses generate trust in people and also a sense of fulfillment in their own employees. This translates into economic benefit in future through increased brand value.

Dilemmas of business can be resolved through ethical values. Major dilemmas include:

- **Lives vs revenues and livelihoods**: Should economic activities involving physical activities restart to protect revenues? Doing so without concern for lives will be counterproductive. It can lead to outbreaks and longer closures. Hence a balance is needed.
- **Pay cuts and layoffs to prevent short term losses**: Layoffs result in loss of valuable skilled employees. This damages the trust of both laid off and remaining employees. Same is the case of paycuts. Hence any layoffs and paycuts to protect the financial health of the company must be deliberative and participative. Fairness, compassion and transparencyare must to protect long term trust.

Social distancing is leading to increased digital use by businesses. Technology brings following ethical issues:

- Aarogya setu and such contact tracing applications involve invasion into privacy of individualswhich is a human right. Such applications must adhere to ethical standards such as – consent, just purpose and use; data minimization; eventual destruction of data after purpose is fulfilled. These will generate trust and hence increase participation which is a necessity for success of such applications.
- Exacerbating inequalities: Unequal access to technology can accentuate socio-economic inequalities. Digital education is an example where there is rural – urban and rich – poor divide in access to hardware (mobile, laptops, broadband etc). Design of digital education policies must address all strata of population to ensure social justice to the most vulnerable.
- Enhanced automation: It results in loss of livelihoods and hence rise in poverty. Social justice must be factored in policies regarding the same to ensure a dignified life to all. Robot tax, universal basic income are some such measures

Conclusion:

Purpose, values and ethics need to be built into institutional design to build resilient businesses. By aspiring to contribute to society, employees will have a purpose in their daily work. This cultivates innovation and expand business models.

Mains question:

Q.1) What is business ethics? How is it different from corporate governance? How does business ethics help businesses in the post covid world? [15 marks, 250 words]