

Concept, Challenges, Chances, Critics, Caution: 5 C of “Make in India”

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Abstract

"Come, make in India," Prime Minister Narendra Modi exhorted the world in his maiden Independence Day address, inviting global firms to set up manufacturing bases as part of his biggest push to fix in one go multiple economic problems including low employment creation, slow economic growth and high trade deficit.

Seeking to make the country a global manufacturing hub, Prime Minister Narendra Modi launched the ambitious 'Make in India' campaign On 25th September 2014. It is an international marketing campaign to attract businesses from around the world to invest and manufacture in India. The campaign is completely under control of the Central Government of India. A dedicated cell has been created to answer queries from business entities through a newly created web portal (www.makeinindia.com).

While nobody has explicitly clarified what exactly "Make in India" would be, it is being interpreted as the licensed manufacture of foreign goods. The theory behind "Make in India" is as simple as it is compelling. Make in india is a major new national program designed to facilitate investment, foster innovation, enhance skill development, protect intellectual property and build best-in-class manufacturing infrastructure.

Indian's love for anything foreign permeates to various levels, which may be part of their colonial hangover. Agreed, Indians are not as much in the post-colonial haze as they were till a few years ago, but reviving the many brews of truly Indian origin would not figure as a thrust area in the Make-in-India project that is the pet topic of Prime Minister Narendra Modi.

Prime Minister Narendra Modi has launched his big "Make in India" campaign, with the aim of turning the country into a global hub of manufacturing. The campaign is aimed to transform the economy from the services-driven growth model to labour-intensive manufacturing-driven growth.

India must become a manufacturing powerhouse in order to gainfully employ its demographic dividend; there is no choice here. Fortunately, India has many natural advantages including a big

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labour pool and a large domestic market. This will help in creating jobs for over 10 million people, who join the workforce every year.

In order to achieve this, the government would need to address issues such as taxation, including introduction of the GST (Goods and Services Tax), land acquisition, faster approvals, trade policy, etc. India is ranked 134 among 189 countries in the World Bank's ease of doing business index. All, India has to do, is to improve the ease of doing business in India.

The prime minister is very keen to initiate the processes as soon as possible to bring down huge delays and cut red tape involved in the processes. The eight core areas identified to overhaul the licence regime and drastically cut down the times and processes. The following steps are being taken to increase the ease of doing business in India:

1. Single Window Clearance to start business
2. One Stop Construction Permit
3. One Stop Single procedure and approval of electric connection
4. Online registering property
5. Simplification and reduction of taxes
6. Reduced Documentation, Electronic submission and processing of documents, selective inspection of cargo for cross- border trade
7. Setting up of specialized fast track commercial courts to enforce contracts
8. Resolving insolvency

The Department of Industrial Policy and Promotion (DIPP) under the commerce ministry has been given the identified task to identify sectors, specific activities and concerned ministries where reforms are required. The government has identified 25 key sectors including biotechnology, automobiles, space and information technology to enhance the overall global competitiveness of the Indian manufacturing sector and in which India has the potential of becoming a world leader.

Make in India is Modi's way of scaling up the famous Vibrant Gujarat summits he organised when he was the state's chief minister. Those annual conventions used to feature top business executives coming together to meet the main policymakers in Gujarat and sign investment agreements. The hope will be that, just as with Vibrant Gujarat, Make in India will end up with solid commitments for money to be sent India's way. But how much of it will actually turn into real investment? The truth is less encouraging. Based on the report's estimate, the Indian average for what is basically a promise-to-projects metric comes out to about 6%. That is, in the states evaluated in 2010-'11, only 6% of all the amount promised actually turned into investment. Surprisingly, it's not Modi's Gujarat, or the industrial southern states that see the most amount of industrial promises turning into actual

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implemented investment. Instead it's Haryana, followed by Jammu and Kashmir. Gujarat comes in lower than Uttar Pradesh and Rajasthan at 8.5%, while Bihar Chhattisgarh and Odisha bring up the rear with under 0.5% of promised projects turning into real ones. As usual with Modi, it has its list of pithy phrases ("Red Tape to Red Carpet") with the hope that some of these might turn into actual action on the ground.

There are challenges that the 'Make in India' could face :

1. Creating healthy business environment will be possible only when the administrative machinery is efficient. India has been very stringent when it comes to procedural and regulatory clearances. A business-friendly environment will only be created if India can signal easier approval of projects and set up hassle-free clearance mechanism.
2. India should also be ready to tackle elements that adversely affect competitiveness of manufacturing. To make the country a manufacturing hub the unfavourable factors must be removed. India should also be ready to give tax concessions to companies who come and set up unit in the country.
3. India's small and medium-sized industries can play a big role in making the country take the next big leap in manufacturing. India should be more focused towards novelty and innovation for these sectors. The government has to chart out plans to give special sops and privileges to these sectors.
4. India must also encourage high-tech imports, research and development (R&D) to upgrade 'Make in India' give edge-to-edge competition to the Chinese counterpart's campaign. To do so, India has to be better prepared and motivated to do world class R&D. The government must ensure that it provides platform for such research and development.
5. India's make in India campaign will be constantly compared with China's 'Made in China' campaign. The dragon launched the campaign at the same day as India seeking to retain its manufacturing prowess. India should constantly keep up its strength so as to outpace China's supremacy in the manufacturing sector.

To become a manufacturing nation, India has to quickly move beyond rhetoric to create a clear strategy and favourable policy environment for manufacturing to take off.

It is also crucial to recognise the difference of 'Make in India' and 'Made in India' when everyone, whether it's a policymaker, strategist, economist or professional has jumped on to the Prime Minister Narendra Modi's bandwagon of "Make in India" in it's own way.

In "Make in India", a foreign manufacturer is paid for transfer of technology and the licence to assemble in India. The vendor supplies manufacturing technology and the jigs and tooling needed for assembling components, sub-systems and systems into a full-fledged thing. While hard bargaining sometimes obtains the technology to build some of those systems and sub-systems in India, vendors

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would seldom part with the technology to manufacture complex and high-tech systems, which they developed at enormous cost. A high proportion of the platform, therefore, continues to be supplied from abroad.

In defence, "Make in India" never provided Indian manufacturers the capability to upgrade platforms that require fresh technology as time goes by; in fact, manufacturing licensing conditions usually stipulate that the buyer can make no alterations. That is why India, which carried out "Make in India" of the MiG-21 for decades, had to go back to Russia when it upgraded the fighter. It is on maintenance, repair, overhaul and upgrade that foreign vendors make their real money, even on equipment that has been licence-built in India. It is variously estimated that the MiG-21, over its lifetime, cost India 20-40 times its purchase cost. The Mirage 2000 is another example of costs expanding ten- or twentyfold. In contrast, a "Made in India" aircraft like the Tejas could be continually upgraded without licensing issues, altered and supplied anywhere in the world.

"Made in India", on the other hand, involves conceiving, designing and building in India, creating intellectual property in the country. In "Make" category projects involve Indian-led consortia.

When one says, Make in India, it means, Indian will work for others. we should create our own brands and create a market for them internationally. Only then, money will come back to India. Look at the amount of money, around \$60 billion, the US gets through Apple phone. Every single penny Coke or Pepsi makes goes back to the US.

Providing the strongest critique to the government's Make in India strategy, Reserve Bank of India (RBI) governor Raghuram Rajan on speaking at an event organized by industry lobby Federation of Indian Chambers of Commerce and Industry said, India rather needs to make for India, adding that either an incentive-driven, export-led growth or import-substitution strategy may not work for the country in the current global economic scenario. He said an export-led growth strategy will not pay for India as it did for Asian economies, including China, due to the tepid global economic recovery, especially in the industrial countries. He also cautioned against picking a particular sector such as manufacturing for encouragement simply because it has worked well for China in as much as India is different, and developing at a different time. He said the government should rather focus on creating an environment where all sorts of enterprise can flourish, and then leaving entrepreneurs to choose what they want to do. Giving instances, he said small and medium enterprises might benefit much more from an agency that can certify product quality, or a platform to help them sell receivables, or a state portal that will create marketing websites for them, than from subsidized credit. On government's strategy for import substitution or trying to manufacture items domestically rather than importing them, Rajan said such strategy, by creating tariff barriers, has been tried and it has not worked because it ended up reducing domestic competition, making producers inefficient and increasing costs to consumers. "Instead, Make in India will typically mean more openness, as we create an environment that makes our firms able to compete with the rest of the world, and encourages foreign producers to come and take advantage of our environment to create jobs in India," he said.

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This is not to say that "Make in India" serves no purpose. First, it creates jobs, a key government goal. Second, building even low-tech equipment creates high-quality manufacturing capability, which goes into creating the broad-based manufacturing ecosystem that is essential for "Made in India" projects. There is no harm to say 'Make in India' but the bigger slogan should be 'Made in India'. The Govt. needs to focus keenly on "Made in India" projects without being distracted by "Make in India" slogans. Voila, India will take it's rightful place as the world's factory.

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Reference

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