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"MAKE IN INDIA" WHEN TRADE IS BECOMING "MADE IN WORLD"

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Abstract

The paper analyses Prime Minister Narendra Modi's ambitious campaign Make in India at times of global value chains (GVC). Today, companies divide their operations across the world from the design of the product and manufacturing of components to assembly and marketing, creating international production chains. More and more products are "Made in the World' rather than Made in UK or Made in Japan. This is an attempt to study whether the project will help India's development in becoming an important part of GVC.

Keywords: *Make in India, Made in World, Global Value Chains.*

Today's planet of trade looks very different from when the first rules governing world trade were originally shaped after the Second World War and led to the creation of the GATT. The old division of labour between nations has been radically changed by the recent wave of globalization. Global value chains, or international supply chains, are core to this development and traditional boundaries and distances are collapsing.

In the 19th Century, countries exported what they produced. In fact, the industrial revolution took root in countries that had coal mines and iron ore. A Portuguese entrepreneur importing a steam engine from England would know that everything from the steel of the wheels to the boiler pressure gauge came from the United Kingdom. Similarly, an English club importing Port wine for its members could be sure that it came from Portugal. However, the concept of country of origin for manufactured goods has gradually become obsolete as the various operations; from the design of the product to the manufacture of the components, assembly and marketing have spread across the world, creating international production chains. Nowadays, more and more products are "Made in the World" rather than "Made in the UK" or "Made in France". Or what many people today mistakenly believe Made in China. What we call "Made in China" is indeed assembled in China, but what makes up the commercial value of the product comes from the numerous countries that preceded its assembly in China in the global value chain, from its design to the manufacture of the different components and the organization of the logistical support to the chain as a whole. In other words, the production of goods and services can no longer be considered "monolocated", but rather, "multilocated".

For instance, every time an iPod is imported to the United States, the totality of its declared customs value (150 dollars) is ascribed as if it were an import from China, contributing a bit more to the trade imbalance between the two countries. But if we look at the national origin of the added value incorporated in the final product, we note that a significant

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share corresponds to reimportation by the US, and the rest to the bilateral balance with Japan or Korea which should be allocated according to their contribution to that added value. In fact, according to American researchers, less than 10 of the 150 dollars actually come from China, and all the rest is just re exportation.

As in the personal computer industry, where components are designed and developed worldwide and manufacturing is largely performed in China, most knowledge-intensive industries have become modular. Basic supply chains and distributor networks are today becoming increasingly fragmented. They are now characterized by a diversity of business models, a multitude of players, and a global footprint. Like a set of building blocks, these business components can be reconnected in different and sometimes surprising ways. Mass communication, low-cost computing, and global talent have enabled small- and mid-sized corporations to act in capacities impossible only a decade ago. Countries like India and China have been major beneficiaries of this trend. Global value chains (GVCs) have become a dominant feature of world trade and investment, offering new prospects for growth, development and jobs, according to a new joint report by the Organization for Economic Cooperation and Development (OECD), the World Trade Organization (WTO) and the United Nations Conference on Trade and Development (UNCTAD). Effective participation in GVCs will require significant further investment in technology dissemination, skill building and upgrading, the report says.

MAKE IN INDIA

Make in India is an international marketing campaigning slogan coined by the Prime Minister of India, Narendra Modi on September 25, 2014 to attract businesses from around the world to invest and manufacture in India. The major objective behind this initiative is to focus upon the heavy industries and public enterprises while generating employment in India. The logo for the Make In India campaign is a an elegant lion, inspired by the Ashoka Chakra and designed to represent India's success in all spheres. The campaign was dedicated by the Prime Minister to the eminent patriot, philosopher and political personality, Pandit Deen Dayal Upadhyaya who had been born on the same date in 1916.

The highlights of Make in India

- The campaign, 'Make in India' is aimed at making India a manufacturing hub and economic transformation in India while eliminating the unnecessary laws and regulations, making bureaucratic processes easier and shorter, and make government more transparent, responsive and accountable.
- The government emphasized upon the framework which include the time-bound project clearances through a single online portal which will be further aided by the eight member team dedicated to answering investor queries within 48 hours and addressing key issues including labour laws, skill development and infrastructure.

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- This campaign basically gives hope to the unemployed to find a decent job if not big jobs as manufacturing leads to creation of lot of service sector activity. But India will have to make sure to focus on quality education rather than just skill development. It is also hoped that this is a precursor to change some labour laws that would make investing in manufacturing more attractive to Indians as well as other nations.

Sectors

Following sectors have been included by the Government in this campaign

- Automobiles
- Automobile Components
- Aviation
- Biotechnology
- Chemical
- Construction
- Defence Manufacturing
- Electrical Machinery
- Wellness
- Electronic Systems
- Food Processing
- IT and BPM
- Leather
- Media and Entertainment
- Mining
- Oil and Gas
- Pharmaceuticals
- Ports
- Railways
- Renewable Energy
- Roads and Highways
- Space
- Textile Garments
- Thermal Power
- Tourism and Hospitality

Expectations

Investment and development in these sectors is important for improvement of manufacturing sector in India. The "Make in India" campaign aims to create an investment friendly atmosphere for these sectors on a priority basis. Manufacturing currently contributes just over 15% to the national GDP. The aim of this campaign is to grow this to a 25% contribution as seen with other developing nations of Asia. In the process, the government expects to generate jobs, attract much foreign direct investment, and transform India into a manufacturing hub preferred around the globe.

India is a country rich in natural resources. Labour is aplenty and skilled labour is easily available given the high rates of unemployment among the educated class of the country. With Asia developing as the outsourcing hub of the world, India is soon becoming the preferred manufacturing destination of most investors across the globe. Make in India is the Indian government's effort to harness this demand and boost the Indian economy.

If India can get its act right in manufacturing and get it moving by ten percent annually, that will increase its proportion in GDP from the present 15 percent to contribute to

10-15 years of 7-8 percent growth with an outcome that will help 300 million people out of poverty.

Generating employment: 60 percent of the Indian economy is generated by services, but it employs 28 percent of the work force, where as agriculture, which is 14per cent of the economy, accounts for 50 percent of the employment. This has led to the feeling that the services –led economic boom has disproportionately benefitted the old " English speaking" middle class but not those aspiring to join the middle-class through hard work. India is in urgent need of generating employment due its expanding working age population. Between 2015 and 2020, the working age population will arise from 804 million to 856 million. So there is a need for generating employment for 10 million young people annually. Modi government is trying to get Indian companies once again to set up plants in India.

Method

Make in India campaign is at loggerheads with the Make in China ideal that has gained momentum over the past decade. China is a major rival to India when it comes to the outsourcing, manufacturing, and services business. India's ailing infrastructure scenario and defunct logistics facilities make it difficult for the country to achieve an elite status as a manufacturing hub. The bureaucratic approach of former governments, lack of robust transport networks, and widespread corruption makes it difficult for manufacturers to achieve timely and adequate production. The Modi government has vowed to remove these hurdles and make the nation an ideal destination for investors to set up industries

One stop window for clearances

In an attempt to allay investor concerns regarding slow executions of the project on the ground the government has stepped up work on a one stop single window investment portal where companies can apply for clearances rather than go from one department to another for approval. By 1st April 2015 a single point portal will enable potential investors to secure the multiple clearances required to set up industry in India.

Cell

The government has set up an eight member expert panel of the Department of Industrial policy and promotion (DIPP) to interface with investors and also to work with central and state departments to resolve policy and other issues, to redress grievances and handle queries of global and domestic investors within 24 hours. Its role will be to provide information and solve investor's problem. The cell will also work with states to accomplish de-bureaucratization and deregulation and to ensure official mindsets change from being permits issuers to partners in investment processes.

Foreign investment caps in construction will soon be eased to enable greater participation in the NDA governments 100 smart cities project and affordable housing. The Government plans to introduce a single labour law for small industries.

A new scheme to tap rural India and promote the Rural India skill Mark (RISM) as a globally recognized stamp of quality is being conceived .The scheme Deen Dayal Upadhyaya Grameen Kaushalya yojna is supposed to be the single biggest; accelerator of the Make in India campaign since it will provide the skilled workforce to make India a manufacturing hub. It is also expected to cover the deficit in the global economy. There is expected to be a global shortage of 57 million workers in industrialized countries including the US, China, Japan, Russia, Germany, Australia and France by 2020. It is estimated that India will be the country with the largest surplus of workers at 47 million by 2020. DDU-GKY will benchmark training quality to global standards and help make India skill capital of the world. Rural India has the potential to become the biggest source of manpower not just for Indian industry, but for foreign investors who choose to invest in Make in India and even industrialized nations, which will face shortage of workers .Skilled manpower will fuel not just the Indian economy but that of other countries who could take advantage of India’s demographic dividend and skilled work force. The scheme could also potentially expand India’s share in private remittances. According to the World Bank, Indian workers contributed 71 billion dollars in 2013. Remittances have become a major component of the balance of payments.

Criticisms

The NDA government's Make in India campaign has attracted INR 2000 crore (October, 2014) worth investment proposals. The campaign has, despite this, found its fair share of critics. The topmost of these criticisms is leveled against the incumbent government. It has been felt that the government does not walk its talk. Labour reforms and policy reforms which are fundamental for the success of the Make In India campaign have not yet been implemented. India ranks low on the "ease of doing business index". Labour laws in the country are still not conducive to the Make in India campaign. This is one of the universally noted disadvantages of manufacturing and investing in India. A number of layoffs in companies such as Nokia India cast long shadows over the campaign. A number of technology based companies have not been enthused by the campaign launch and have professed to continue getting their components manufactured by China.

MAKE IN INDIA' AS A STRATEGY OF IMPORT SUBSTITUTION THROUGH TARIFF BARRIERS

This strategy has been tried in the past and as not worked because it ended up reducing domestic competition, making producers inefficient, and increasing costs to consumers (Raghuram Rajan, RBI Governor). He also said that India should also focus on domestic demand and create a unified market with a view to reduce transactions cost. If external demand growth is likely to be muted, we have to produce for the internal market. This means we have to work on creating the strongest sustainable unified market we can, which requires a reduction in the transactions costs of buying and selling throughout the country.

Chinese response to the “Make in India campaign was to launch “Made in China” to encourage the production of high tech, high value products in the country. While Indian announcement was bereft of any accompanying tax sops, china campaign was clear about the tax breaks that will help enterprises upgrade their equipment and increase R&D efforts to improve its manufacturing sector. The critics question whether India can be a cheaper manufacturing base than China and other asian neighbours such as Sri Lanka and Bangladesh.

CONCLUSION

The ambition of making India the factory of the world requires a grand vision which has to be matched by policy action. The Make in India campaign will succeed only if it purposefully takes up policy reforms involving changes in laws to ensure ease of doing business in the country. There is a need to develop the infra structure facilities and improved governance with a stress on e-governance.

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