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Modi's make-or-break game

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Prime Minister Narendra Modi's ambitious "Make in India" (MII) campaign is not only expected to revive the country's tottering manufacturing sector but also put India back into double digit growth. Contribution of manufacturing in India's GDP has stagnated at 17 percent for far too long. But the million-dollar question is: Can Modi really ignite the sloth system to gear up for a tough race with neighboring China on the way to achieving the status of a global manufacturing hub?

Till date China proudly holds the sobriquet "factory of the world" without much competition. And Modi intends to give China a run for its money by the combination of an effective public relations pitch and putting the house in order by making departmental functioning hassle free. The slick new MII scheme envisages transforming India's manufacturing potential in 25 chosen sectors, involving 25 government departments and 30 countries worldwide. As usual Modi is utilizing catchy phrases and smart acronyms to woo foreign investors. This also helps to refurbish his image as the MII campaign is being subtly projected as an "ingenious-Modi formula to position India as the centerpiece of Asia's next growth story."

Sycophantic corporate chieftains, a glittering website, brand new symbol of a lion made up of cog-wheels that represent the axle of manufacturing and glossy brochure highlighting how India is now a lot more welcoming to manufacturers than in the past actually set the ball rolling for another round of Modi's marketing blitz at the cost of taxpayers' money. Many believe this latest marketing propaganda is an expanded nationalized version of his much-hyped "Vibrant Gujarat" biennial investors' summit where actual investments on the ground went nowhere close to the number of commitments received.

Surely, Modi knows it better than anybody else that investors often sign agreements with little intention of actually putting their money on the table. In fact, a measure of an implementation rate of Industrial Entrepreneurs Memorandum put together by Cato Institute and Freidrich Naumann Institute in "The Economic Freedom of the States of India 2013" report suggests that the amount of promise turning into real investment is no more than 6 percent. Worst still, Modi's own Gujarat is a laggard state in terms of promise to project metric while Congress-ruled Haryana and disaster-hit Jammu and Kashmir tops the list respectively.

However, there is no denying that Modi's determined push to create lucrative working environment for foreign institutional investors, in order to strengthen the Indian manufacturing sector, will give the nation's overall economic growth a boost. But he needs to focus more on small and medium enterprises (SME), as they will be the fulcrum of India's growth and employment generation in the days ahead. Modi must be reminded that the SMEs (contributing 45 percent of India's manufacturing output) have added to growth and investment, often, more than big corporate houses. Surely, such a move will bolster per capita income and help create jobs for over 10 million young citizens, who join the workforce every year. Yes, the young generation in India is longing for job opportunities and the expected volume of unemployed being no less than 113 million, there is little alternative to manufacturing.

Since employment generation is the primary objective of Modi's MII project, he will be required to convince the Indian industry to make a radical shift from services driven to labor-intensive manufacturing based growth model. Besides, to make his dream a grand success Modi must encourage the domestic industry to cultivate a culture of innovation, hitherto unseen in Indian manufacturing. Ideally, the German Mittelstand, accounting for over 60 percent of all jobs in Germany and 53 percent of its national GDP, should be Modi's guiding model. Indian versions of such envied family-owned companies could not only reduce unemployment but also turn India into an export juggernaut. But for that, Modi needs to do something to change the general perception of India being mired in red-tapism. This affects investors' confidence in the country and even the World Bank has ranked India 134th out of 189 countries in "ease of doing business" category.

Hard-selling a product like India would not serve any purpose unless backed up by an enabling environment. Modi urged domestic industrialists and foreign investors to treat India not only as a huge emerging market with adequate spending capacity but also look at the country as a perfect place for production. It is easier said than done because he himself acknowledged that achieving this particular goal will require simultaneous progress in a host of areas. Skill development, for example, is one such critical area as far too many of India's youngsters are poorly prepared for induction in globally competitive work. And Modi knows that it is not an easy mission given the fact that it involves fixing India's virtually dilapidated education system. Finally, Modi wants to scrap, what he believes to be, oppressive rules favoring the working class.

Much of China's success in the process of becoming the world's second largest economy can be attributed to its manufacturing strength and the authoritarian environment. If Modi has any intent of aping China's manufacturing model, India will inevitably witness intense societal tension in future. Modi, justifiably, wants to exploit India's huge mineral and human resources for enticing foreign investors. But he may end up stoking a very difficult to extinguish fire by becoming too mechanical.