

Make in India*

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The [website](#) is impressive, no doubt about it. It is sleekly designed and easy on the eye, and it appears to offer a lot of information on what is supposed to be the Modi government's ambitious new initiative to transform India into an industrial hub. Like all of Mr Narendra Modi's plans, it has been launched in a blitzkrieg of publicity in which the medium is seen as the message, in which the very act of announcing a goal seems to be treated as almost equivalent to achieving it.

"Make in India" is being presented as a major new programme designed to facilitate investment, foster innovation, enhance skill development, protect intellectual property and build best-in-class manufacturing infrastructure. A tall order, you might say - especially when some of these goals may well operate at cross-purposes, such as the protection of intellectual property in ways that could constrain local adaptation, innovation and access to knowledge. But the rousing enthusiasm expressed in the declarations about this programme denies any possibility of caution or nuance, and simply sidesteps the harder but still necessary questions about how this is to be achieved in practice.

This is not to say that the goal itself is unimportant. Certainly this government should be commended for recognising the significance of industrialisation, and recognising that domestic production capabilities need to be encouraged, developed and expanded. Of course, this is not a particularly new insight, since it was clearly also the driving spirit behind the now much-maligned Nehruvian agenda for development. But it is one that had been underplayed if not even forgotten in the years of euphoria around "service-led growth" and the belief that liberalised market forces would deliver both higher growth and economic diversification in a desirable direction.

Over the past few years, several economists have indeed stressed the negative implications of the neglect of the requirements of industry. Their critique has been based on an alternative conception of development that recognises the necessity of trade and industrial policies that would promote economic diversification to higher value added activities, as well as the need to developing the home market by emphasising employment creation and higher wage incomes. More recent concerns have been to ensure that growth is sustainable (by not over-exploiting nature) and inclusive (by focussing on the incomes of the less well off sections).

But the Modi government does not seem to be coming at this issue from any of these angles. Rather, if the information on the website correctly identifies what this programme consists of, then its defining feature is the lack of any clear strategy for proactive trade and industrial policies. The underlying idea seems to be that all that is required to achieve these ambitious goals is the further deregulation of various policies associated with remaining licences and permissions for private investment, including allowing the entry of more FDI into sectors such as defence and insurance, combined with loosening of environmental standards and easing of rules preventing easy access to cheap land.

Most problematically, the entire programme is to be achieved by incentivised private investment assisted by the hoary old strategy of relying on [Public Private Partnerships](#)

or PPPs. The PPP model manifestly failed during two successive tenures of the UPA government, especially with regard to crucial infrastructure spending. It proved to be fiscally demanding of more public spending as well as productively inefficient in terms of not meeting the planned targets of investment in crucial infrastructure areas. For example, the actual investment in rural roads under the PPP model was a small fraction of the planned investment, and the continued reliance on PPP and waiting for the private sector to respond to even more blandishments meant that the required roads were simply not constructed. It would have been ultimately cheaper as well as more efficient and productive for the government to simply invest directly in building those roads.

The main focus of the current plan seems to be to develop industrial corridors between major metros through the development of infrastructure along the connecting highway. This idea also is not new, and once again the usefulness of industrial clusters is something that has been well recognised by policy makers for quite a while now. The main difference is the injection of the idea of creating new “smart cities” along these routes. For example, 24 new cities are envisaged along the [Delhi-Mumbai Industrial Corridor Project](#).

These new smart cities are clearly paradises in the making: apparently they will be “transit oriented, walkable and livable cities” with interconnected roads, rail and communication systems providing speed, access and world wide connectivity. They will integrate land use into mixed zones to reduce commuter time, have multiple business districts to reduce congestion and provide affordable workers’ housing near the industrial zones. They will develop high access mass transit corridors and encourage cycling and pedestrian transport. They will also be “sustainable” cities through their recycling and reuse of water and solid waste and ensure energy sufficiency through the use of renewable sources. They will be created keeping in mind the needs of “conservation of better agricultural land and protection of sensitive natural environment”.

Couldn’t get better, could it? So attractive does this sound that I almost want to go and live in one myself as soon as it is created. How is this going to happen? In other words, who is going to invest in this and create these wonderful cities?

So here’s the catch – most of this is supposed to happen through private investment, which apparently is going to rush in just at the sound of these wonderful phrases and as the dream of the dynamic and interconnected economy is dangled in front of them. The government’s role seems to be rather basic – provide the minimal start and the hype. So the Government of India has a 49 per cent stake in the Delhi-Mumbai Industrial Corridor Development Corporation (DMICDC), an autonomous body that will provide the basic infrastructure of the industrial corridor. But the bulk of the projects are envisaged to be met by private investors, who presumably will have to be provided various incentives to do so.

How much all of this will end up costing the public exchequer directly and indirectly, and how effective such a strategy will be in achieving even a part of its ambitious goals, is anybody’s guess. But the recent history of the Government of India (in its UPA avatar) trying to do the same thing (albeit with less publicity) is not encouraging. Private investors, especially foreign ones, are also good with the phrases and the handshakes – or even bear hugs – but they tend to wait for very real incentives

before actually committing investment. And even then they have to be constantly cajoled and given further and increasing incentives, or they will simply abandon projects midway – as the half-built electricity generation plants all over the country provide testimony of. And if the investment is highly leveraged, as has been the case with most private corporate investment in India recently, then these unfinished projects will become the problem of the mostly public commercial banks in the country that would have been “persuaded” to lend to them.

So a strategy that is based largely on bluster, bravado and marketing hype is not really likely to go far. Sadly, so far that seems to be the main strategy. A more serious approach to the issue of industrialisation would require first of all an assessment of the nature of existing manufacturing industry, its structure and performance, and the specific requirements of different categories of industry especially small scale enterprises. That would enable both a broad sweep approach and a more targeted one to develop particular sectors. Just announcing a bright future with a lot of bombast would not work.

The worrying thing is that such a lack of strategy might even lead to the Indian economy missing the boat of industrialisation once again, even as those at the helm loudly proclaim its fervent intent to be on it.

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