

## **JOURNEY FROM MAKE IN INDIA TO ASSEMBLE IN INDIA**

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### **ABSTRACT**

Due to financial crisis in the late 1980s, India had to approach the International Bank for Reconstruction and Development (IBRD), popularly known as World Bank and the International Monetary Fund (IMF) to meet its import requirements especially oil and essential consumption commodities. India received a conditional loan of \$7 billion to manage its balance of payment crisis. For availing the loan, these international agencies expected India to liberalize and open up the economy by removing restrictions on the private sector, reduce the role of the government in pivotal areas and remove trade restrictions between India and other countries. India agreed to the conditions imposed by World Bank and IMF and announced the New Economic Policy (NEP). The New Economic Policy was an attempt to alter the basic parameters of economic policies since Independence and to restructure the economy drastically. All the above factors led the government to introduce a new set of policy measures which changed the direction of our developmental strategies. The landmark change brought about by the Industrial Policy of 1991 in Indian economy was entirely a new chapter which enforced a total open economic system as compared to the earlier mixed system.

### **INTRODUCTION**

New Industrial Policy also known as Liberalization, Privatization and Globalization (LPG) in Indian Economy focused on these three sets of reforms: -

Liberalization which includes deregulation, de licensing, decontrol and de-bureaucratization of industrial licensing system.

Privatization that includes disinvestment in Public sector

Globalization enables facilitating Foreign Direct Investment (FDI) inflows, liberalization of foreign trade and currency transactions.

Industrial Licensing in which industrial licensing was abolished for all industries irrespective of their level of investment.

A highlight on previous economic surveys shows that a nation improves their gross domestic product by making use of three ways.

1. Geology which includes energy and mineral resources which are found in West Asia Australia and Canada. India is facing challenges as not enough crude oil resources are present here and we still lack cost effective technologies that are needed for large scale exploration of shale gas as well as nuclear minerals.
2. Geography which includes tourism that is found in Mauritius and Caribbean. Though India has great tourism potential due to its geographical, climatic and cultural diversity but this income is not enough to sustain a large nation like India.
3. Jeans to Jets which evolves the production from low skill items like jeans to further growth and technological advancements to produce jets, software and other high skilled goods and services. The country will then outsource the jeans manufacturing to other third world nations. Even USA

followed this model to reach the path of development. Presently China, Thailand, Indonesia, Malaysia and other East Asian economies are also pursuing this very model.

The case of Indian economy is altogether different as in the post LPG reforms period, the country directly jumped from agriculture to IT and services sector. Our growth in manufacturing sector was sub optimal due to bottlenecks in electricity, road and other infrastructure facilities. In addition to this, outdated factory and labour laws also prevented the ease of doing business.

## **MAKE IN INDIA**

The commerce ministry is the nodal agency to formulate the Make in India scheme in India. Its main objective was to promote India and global hub for manufacturing goods and services, design and innovations in 25 sectors. Later it was expanded to 27 sectors. Its main focus is on

- Relaxation of Foreign Direct Investment norms to facilitating investment.
- To foster Innovation and Research Development
- To build infrastructure
- To make it easy to do business by relaxing the factory and labour laws, tax laws and administrative procedures
- To enhance skill development

The Make in India process can be seen in the following listed sectors along with initiatives and examples

1. Auto components – National Automotive Testing and R&D Infrastructure Project was started to encourage research and development.
2. Automobiles – Faster Adoption and Manufacturing of Hybrid and Electric vehicles in India were initiated. In addition to this electric, ethanol and methanol vehicles were exempted from permit.
3. Aviation – National Civil Aviation Policy and UDAAN scheme was implemented to boost regional air connectivity, Fast approval was given to the greenfield airports in the North East areas. The FDI policy 2016 was also relaxed to promote aviation.
4. Biotech – New biotechnology parks were launched along with relaxation in Foreign Direct Investment policy.
5. Chemicals – New plastic parks were launched to promote manufacturing in chemical sector.
6. Construction – The Real Estate (Regulation and Development) Act 2016 was passed in order to grant quick permissions to the builders at the same time, hence providing protection to buyers of homes.
7. Defense Manufacturing – As per Defense Procurement Procedure 2016, government will give first priority to the indigenously designed developed and manufactured defence equipments. It further updated defense offset norms which states that when government buys defence equipments from a foreign company, then that foreign company will have to reinvest a particular percentage of the income back into Indian industries. As per Atma Nirbhar Bharat 2020, import of at least 101 items were banned.
8. Electronic System Design – New electronic parks were approved along with subsidy to entrepreneurs for purchasing machinery. Besides this, National Electronics Policy 2019 was also passed.

9. Food Processing – New Mega Food parks, cold storages and abattoirs were approved. There is need to create funds and to get support under Atma Nirbhar Bharat 2020.
10. IT and IT enabled services – In 2016, 100% automatic Foreign Direct Investment was established in market place and in E commerce. After demonetization many initiatives were taken to increase digital payment systems. In order to increase the demand of computer hardware as well as software, Pradhan Mantri Digital Saksharta Abhiyan and Digital India Mission was started. Public Procurement Order 2017 was passed which requires government departments to buy India made desktops and computer parts.
11. Leather – India is second largest producer of footwear and second largest exporter of leather garments. New leather parks and clusters were also approved. Global demand for footwear is moving towards non leather footwear for their comfort and cheapness and for that we need research and development.
12. Audio-Visual Media and Entertainment – Under it, single window clearances for film shootings for foreign film makers in India were started. The norms to start new private FM radio stations were relaxed. As per budget 2019, previously single window clearance to foreign film makers for shooting movies was opened to India as well. Cinematography Amendment Bill was passed and under it, unauthorized camcording / duplication of movie will lead to imprisonment of 3 years and fine up to 10 lakhs.
13. Mining – Mines and Minerals (Development and Regulation) Act was amended in 2015-16 for the ease of mining exploration. In addition to this, more reforms were made under Atma Nirbhar Bharat 2020.
14. Oil and Gas – The gas based thermal power projects were approved. Gas grid projects were started to deliver gas through pipeline. Strategic oil reserves were also created. In 2016, Hydrocarbon Exploration and Licensing Policy was started to facilitate the exploration of all type of hydrocarbons. PM – Ujjwala yojana was started to encourage poor families to adopt LPG and this will indirectly boost the demand and manufacturing of gas stoves, lighters etc.
15. Pharmaceuticals – Additional NIPER institutes were started which further increased the availability of trained manpower. Foreign Direct Investment norms were relaxed. It further implemented the compulsory licensing of expensive Multi National Companies patented drugs to encourage generic drugs production in India.
16. Ports – Sagarmala Project was implemented to improve the infrastructure related to ports.
17. Railways – A New Metro Rail Policy was started in 2017 under the aegis of Public Private Partnerships. The Mumbai- Ahmedabad high speed rail project was also started with the help of Japan. Along with this few private operators were also permitted to provide services.
18. Highways – New investment models were approved by National Highway Authority of India. Bharat mala project was implemented for the construction of highways. The expressways were made between Vadodara-Mumbai, Delhi-Mumbai, Bangalore- Chennai and many more.
19. Renewable Energy – The preference was given to domestic manufacturers for purchasing equipment for Jawaharlal Nehru National Solar Mission and other similar projects. But later on USA complained to World Trade Organisation that it being a non -tariff barrier.
20. Space – Under Atma Nirbhar Bharat 2020, more reforms made launched to encourage private sector in space research as well as in space tourism. ISROs commercial arm Antrix Corporation Ltd motivated other countries to launch their satellites using ISROs expertise.

21. Textiles – Indian Handloom Brand launched special textile package to increase jobs as well as up gradation of machinery. In addition to this, Apparel and garment manufacturing parks were set up in North East of India.
22. Thermal Power – New thermal power plants with green supercritical technology were set up. UDAY schemes was implemented to cover losses of distribution companies. DD Gram Jyoti Yojana and Saubhagya scheme was also started to increase the electricity penetration in rural areas. Unnat Jyoti by Affordable LED for All (UJALA) scheme was initiated to increase the consumption of LED bulbs.
23. Tourism and Hospitality, Wellness – Tourism sector contributes significantly in terms of GDP, foreign exchange earnings and employment but its growth rate is showing decline in recent years. In order to improve tourism, e Visa scheme, Swadeshi Darshan scheme, PRASAD scheme and many more were started. Yoga Day is celebrated every year by AYUSH Ministry to attract foreigners for medical tourism. In the economic survey 2018-19, the government suggested to promote Ayurveda, Health and Medical Tourism in India to overcome the seasonality aspect of recreational tourism.
24. Other services – It includes medical value and medical tourism, transport, logistics and tourism, Accounting Finance and legal services, environmental and educational services.  
  
In 2018, government expanded 25 sectors to 27 sectors and some original sectors were either modified or replaced. Most of the jobs in these 27 sectors are skill intensive while India is burdened with vast pool of unskilled labour. So, government needs to pay more attention to education and skill development schemes.

### **ASSEMBLE IN INDIA**

Under this various network products are produced across Global Value Chains operated by Multi-National Companies like Apple, Samsung, Sony, Nike, Adidas etc. The products designed by their headquarter located in a rich country like US, European Union, Japan but product assembly or manufacturing is done in low wage countries. Moreover, these products are not produced from start to finish within a single country. In spite of this, countries specialize in particular stages of production sequence e.g. I phone. Like LCD screens are made in South Korea, processors in Taiwan, Wi Fi chips in Malaysia. All these parts are finally assembled in Foxconn Factory in China. In July 2020, Apple's contract manufacturer Foxconn started I phone 11 manufacturing in its Chennai factory but due to the USA - China trade war, companies are shifting the factories away from China.

If India joins the assembly chain of Network Products especially computers, TV, mobiles, then around 4 crore new jobs will be created by 2025 and it will further increase to 8 crore in 2030. Besides this, the share of India in World Export will rise to 3.5% in 2025 and it will further increase to 6% in 2030.

### **WILD GEESE FLYING MODEL**

This model was formulated by Japanese economist Kaname Akamatsu and the first company to work on it was Sony company from Japan. It started assembling Camera, mobiles TV etc. and then later on outsourced manufacturing to South Korea and Malaysia. Then South Korean companies like Samsung, LG grew and they started outsourcing manufacturing to other Asian nations like Taiwan, Thailand etc. This networked goods assembly will continuously move from the more advanced countries to the less advanced countries. Hence, it was observed by economic survey 2020 that India is presently at a stage where it can become part of this flying model. India has an added experience of Network products in the Automobile sector like Suzuki, Honda, Ford Fiat and Renault etc. where it can import some of its

components and then finally assemble Cars in India. But such cars are made for domestic consumers and are not exported to rich countries unlike the china assembled I phone and Sony TV.

### **POLICY RECOMMENDATIONS**

Previously China was seen as a low cost location for final assembly of industrial products but due to aged population, it created shortage of labour and increase in wages. The United States and European Union followed the policy of protectionism which led to imposition of higher duties on china made products and hence companies are shifting production away from china. So India has an opportunity to attract these multi -national companies by reforming its taxation system, Foreign Direct Investment and labour laws. There is a need to provide skill training to Indian youth as workers and middle level supervisors. There is further need to improve infrastructure for transportation and broadband communication. Moreover, delays in shipping, failure of electricity, political disturbances and labour disputes could disrupt the entire chain of production and thereby discourage these multi -national companies. So government should try to monitor them closely. In 2018, there were china India and Vietnam who were in the top 3 mobile handset manufacturers but if India follows the right policies, then we can overtake china. We have to overcome certain challenges like labour unrest in Apple I phone factory in Karnataka where workers buried vehicles and looted phones over non -payment of salaries. So on one hand, India wants to attract foreign companies but at the same time we cannot allow them to exploit our workers or the violence by workers be tolerated.

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