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The 'Make in India' Initiative

'Make in India' launched by Prime Minister Narendra Modi in 2014 is a government initiative aimed primarily at stimulating industrial firms to produce in India, since the overall contribution of the country's manufacturing sector to economic growth has been rather weak and its export share has also continued to gradually shrink (Panagariya 2013; Singh and Ranjan 2015). By implementing numerous reforms in a broad range of government policy fields (like simplification of the tax system, price deregulation and reduction of foreign firms' ownership – see Box 1), the Modi administration attempts to attract FDIs from abroad, as well as to enhance the country's global competitiveness *via* fostering innovation, developing labour skills, providing modern infrastructure, etc.[1]

More precisely, the 'Make in India' initiative, which sees the urgent manufacturing revival as the most important prerequisite for guaranteeing the country's long-term economic development (Singh and Ranjan 2015), is based on the following policy logic. In addition to safeguarding basic production inputs (e.g. power, minerals and water) at competitive prices, the availability of modern transport, logistic and communication infrastructure is required to promote the growth of industry and firms' accessibility to domestic and international markets. To improve productivity and firms' R&D activities, well-educated skilled human capital that fully satisfies labour market demands is also required (Singh 2014). Entrepreneurship and the ease of doing business

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[1] See http://www.makeinindia.com/about.

Box 1: The Modi Government's Reform Programme

The major individual reform measures include, for example:

– Create a unified national tax on goods and services
– End retrospective taxation of cross-border investments
– Deregulate diesel pricing
– Deregulate natural gas pricing
– Deregulate kerosene pricing
– Remove government-mandated minimum prices for agricultural goods
– Use direct benefit transfer to deliver cash subsidies
– Deregulate fertilizer pricing
– Allow more than 50% foreign investment in insurance
– Allow more than 50% foreign investment in defence production firms
– Allow more than 50% foreign investment in railways
– Allow foreign lawyers to practice in India
– Allow foreign investment in more construction projects
– Reduce restrictions on foreign investment in multi-brand retail
– Reduce restrictions on foreign investment in single-brand retail
– Allow more than 50% foreign investment in direct retail e-commerce
– Fully open the coal mining sector to private/foreign investment
– Relax government controls over corporate downsizing
– Stop forcing banks to lend to 'priority sectors' including agriculture, small businesses, education and housing
– Extend the expiration date of industrial licenses
– Make it quicker and easier for companies to go through bankruptcy
– Offer one-stop shopping for clearances for new businesses
– Institute a mandatory 30-day 'notice & comment' period for proposed regulation
– Allow cities to issue municipal bonds to raise funds
– Raise the ceiling on foreign institutional investment in Indian companies
– Conduct transparent auctions of telecom spectrum

Source: Center for Strategic and International Studies (http://indiareforms.csis.org/).

should not only be supported by easier access to venture capital, but should also be strengthened by de-licencing and deregulating the industry during the entire life cycle of a business.[2]

Within this ambitious policy framework the Indian government would like to improve not only the production efficiency of different industries ranging from agricultural commodities to mining and manufacturing goods, but also that of various services (Rajan 2015). To this end, a total of twenty-five economic sectors are identified, which include: (1) automobiles; (2) automobile components; (3) aviation; (4) biotechnology; (5) chemicals; (6) construction; (7) defence manufacturing; (8) electrical machinery; (9) electronic systems; (10) food processing; (11) information technology and business process management; (12) leather; (13) media and entertainment; (14) mining; (15) oil and gas; (16) pharmaceuticals; (17) ports and shipping; (18) railways; (19) renewable energy; (20) roads and highways; (21) space and astronomy; (22) textiles and garments; (23) thermal power; (24) tourism and hospitality; and (25) wellness (see also Nam *et al.* 2017).

Repeatedly the 'Make in India' initiative encompasses heterogeneous promotion measures that are applied not only to traditional, labour and capital-intensive industries, but also to high-tech manufacturing firms and modern services. In addition, this endeavour aims to create favourable business conditions, stimulate direct investment from abroad, firms' innovation and R&D activities, the development of IT and its application, as well as the provision of different transport, logistic and research infrastructure *all at the same time*. Apart from enhancing productivity, which is generally described as the primary engine of economic growth, Modi's policy also appears to exploit other types of positive growth contributions, which are generated by the accumulation and deployment of capital, as well as the more effective use of abundant labour in the country (Jorgenson and Vu 2006).

Against this background, the following crucial questions need to be answered:

(1) Can India accomplish all these goals at the same time?
(2) Is there any trade-off or conflict among these different goals?
(3) Will this Modi reform eventually lead to so-called 'productivity-enhancing structural change' for Indian economy?

At first glance, and particularly from a Western point of view, the 'Make in India' initiative seems to have a rather general character and to be also driven by redistributive considerations, instead of defining the 'specific' growth promotion priorities more clearly and implementing the better targeted reform policy schemes under adequate consideration of India's economic structure and its competitive strengths in the global market (see also Nam *et al.* 2017).

[2] See http://www.pmindia.gov.in/en/major_initiatives/make-in-india/.

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