



Mains Practice Question

Q. Covid-19 crisis is an opportunity to pursue the goal of a self-reliant India. In the light of the statement, discuss how can India succeed in attracting manufacturing firms and jobs from China? (250 words)

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Approach

- Briefly explain the opportunity for India to pursue its goal of self-reliance and attract manufacturing companies especially after-effects of Covid-19 pandemic.
- Discuss India's position in the manufacturing world and the issues with India's manufacturing sector.
- Give a way forward to overcome these issues.
- Conclude suitably on a positive note.

Introduction

- In the aftermath of the pandemic, several manufacturing companies operating from China are planning to relocate their businesses to other destinations, including India.
- Many American, Japanese, and South Korean companies based in China have initiated discussions with the Indian government to relocate their plants to India.

Body

India has an opportunity to become self-reliant and attract manufacturing businesses which are moving out of China due to following main reasons.

- **Supply Chain Disruptions:** There is a realisation that relying heavily on China for building capacities and sourcing manufacturing goods is not an ideal business strategy due to supply chain disruptions in the country caused by Covid-19.
- **Chinese Dominance Over Essential Goods:** There is a fear of Chinese dominance over the supply of essential industrial goods. This is an alarming situation for any country and its industry as this puts their independence and autonomy in peril.
- **Trade War:** The growing risk and uncertainty involved in operating from or dealing with China in the light of geopolitical and trade conflicts between China and other countries, particularly the U.S. has further eroded Chinese potential.

India's Present Position

- India lags far behind China in manufacturing prowess. China ranks first in contribution to world manufacturing output, while India ranks **sixth**.
- Against India's target of pulling up the share of manufacturing in Gross Domestic Product (GDP) to 25% by 2022, its share stood at 15% in 2018, only **half of China's figure**.
- Industry value added grew at an average annual rate of 10.68% since China opened up its economy in 1978. In contrast, against the target of 12%, the manufacturing sector has grown at 7% after India opened up its economy.

Issues With Indian Manufacturing Industries

- **Stringent Labor Laws:** The labour laws in India are extremely complicated. e.g, Industrial Disputes Act-1947 provides that if you are a manufacturing firm with 100 workers or more, you cannot dismiss any of them under any circumstances unless you get prior approval from the government which is rarely given.
- **Inadequate Skilled Workforce:** The manufacturing sector, for it to grow, requires an educated workforce with the necessary skills and training. India's skill ecosystem needs to be fixed.
- **Basic Infrastructure:** Roads, connectivity and transportation are slow and costly when compared to developed nations which is a huge deterrence to Industries. An uninterrupted power supply is another challenge.
- **Small Size:** Small enterprises, because of their smaller size, suffer from low productivity, preventing them from achieving economies of scale.
- **Low Spending On R&D:** Currently, India spends about 0.7% of GDP on research and development, a considerably small amount when compared with other developed nations. This prevents the sector to evolve, innovate and grow.

Way Forward

- **Reforming Labor Laws:** Reforming of the existing labour laws must be prioritised to make them simplified and flexible. They must be reformed in a way that will promote investment and ease of doing business within the sector.
- **Imparting Skill:** The quality of teaching in schools and colleges must be improved. The high-quality vocational training must be provided within the education system.
- **Stable Power Supply:** Stable, low cost and uninterrupted power are vital to promote the growth of the industries. Though the availability of Power has improved to a great extent but India must ensure this as soon as possible on the industrial level to reap the benefits of manufacturing growth.
- **Reducing Logistic Cost:** The logistics cost in India is estimated to be almost double of the developed countries. In India, nearly 60% of cargo travels by road. Cheap, fast and easy transportation is the basic requirement for booming industries.
- **More Spending On R&D:** As India is spending very less on Research & Development, it must improve (at least upto 3-4% of the GDP) its spending on it.

Conclusion

- Strong and carefully designed policy actions on the part of individual States would improve India's overall investment climate, thereby boosting investments, jobs, and economic growth.
- However, such a strategy would be more effective if the policy actions of the **Centre and the States are well coordinated.**