

# Made in India Vs. Make in India

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## Abstract

Make in India call of NaMo Govt. has to be differentiated from Made in India. We have to attract FDI in manufacturing sector to fill the gap in investment by unwilling Indian Business and helpless public sector. It is a timely strategic call given by NaMo Govt. in view of global economic crisis. We have to improve GDP Growth Rate from 5% to 7% by increasing share of manufacturing sector from Just 18% to 30%. Several obstacles are there. We need political wisdom, consensus, foresight rather than confrontation based on outdated controversies to succeed in this mission of inclusive balanced growth. It will not be export led but domestic market led this time.

## Keywords:

Make in India, Made in India, inclusive balanced growth, bop, politicking free market economy (Thatcher Model/Regan Model), Hobson's choice.

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**Introduction:** NaMo Govt. at centre has given a new slogan 'Make in India'. This slogan has following major justifications and connotations in contemporary setting :-

- (1) It is a sort of invitational tune to foreign direct investors (FDI) in India's industrial sector – come and invest in our manufacturing sector. Make India your production base.
- (2) The contribution of manufacturing sector in India's GDP is just 18% as against 30% in China. 50% of India's labour is dependent on agriculture which contributes handily 16-17% to India's GDP.
- (3) We have to spur GDP growth rate from just about 5% p.a. to 7% plus in near future by improving performance of industrial sector.
- (4) Comparatively cheap land and labour (as compared to China, Japan, Australia) must attract manufacturers from these countries to make India their manufacturing base. Surplus land and labour may be gainfully used for manufacturing.
- (5) Import to meet domestic need in defence sector involves forex outgo and also hidden cost in the form of bribes. Import of goods to meet civilian craze for foreign goods involves forex outgo. Thus, balance of trade and bop pressure can be eased by dual positive inflow of FDI and

negative outflow of forex due to reduced defence and civilian import of goods.

- (6) The country will get benefit of foreign technology which foreign entrepreneurs will bring in addition to investment. Thus, briefly we may say that 'Make in India' is a red carpet Welcome invitation to, technology, entrepreneurship and managerial skills to make India their manufacturing base either for domestic market, or for export market or both.

## How does it differ from 'Made in India'?

Made in India involves swadeshi land, labour, capital, entrepreneurship and technology or intellectual property. Made in India refers to India's own Brand Equity in Indian and/or foreign markets. Like 'Amul' Butter- -Taste of India. As against this, Make-in-India is not a Brand. It is an invitation to foreign capital, technology or Intellectual property (innovations) to employ Indian manpower and land to manufacture goods in India for domestic market and/or export market. Since private sector has bleak demand prospects due to economic crisis in developed world and Governments have no money to invest, foreign investors are focusing their attention to emerging economies like China and India where huge demand potential, cheap land and labour exist. Now China's cheap land and labour advantage is waning away due to rising cost curve of these inputs. Even

Chinese Industries and MNC's based in China are in search of more competitive locations like India to relocate their manufacturing units. The same is true about Japan also. Therefore, the clarion call given by Nammo Govt. at Centre is very well-timed - Welcome! Make in India.

A significant point to be considered is this that the Indian Business lost confidence in UPA-2 Govt. due to rampant corruption, red-tape, long delay in big project clearance under the pretext of environment clearance and land acquisition legal hassles. They are so dejected that they consider doing business in India a crime or sin. The Indian private capital is not willing to invest in India's manufacturing sector due to their bitter experience with UPA-2 Govt. Now, new (NaMo) Govt. at Centre is trying very hard to restore Business Confidence in Govt. but opposition is also leaving no stone unturned to project NaMo Govt. Pro-Business-anti farmer, labour and the poor. Development must be our national agenda with political consensus based on shared wisdom and foresight rather than segmented confrontational myopic politicking. People have given a clear mandate to NaMo for '*Sabka Saath Sabka Vikas.*' Our democracy should lead to deliberated timely decisions rather than intense political confrontations of Industry Vs. Agriculture, Swadeshi Vs. Videshi which are outdated and outlived. Anna Hazare leftists, socialists, congress and other must avoid confrontations which, if prolonged, may frighten away Indian and foreign investors both from investing in manufacturing sector of India – a key to fulfillment of NaMo electoral promise of '*Ache din ayenge*' – more jobs, less inflation, less corruption, higher and inclusive growth. Let us all respect a clear mandate given to NaMo and allow him to fulfil his electoral promises.

A few salient differences based on implications need be noted carefully. Made in India will involve capital outflows in the form of dividend, interest and royalty, capital, etc. in the long-run. Unless it is covered by exports, it may amount to postponement of present bop pressures to future. As against this, Made in India may not be able to provide solution to present bop imbalance unless it leads to growth of exports, import substitution. But, it will not involve any forex outflow in future. A careful Social-Cost-Benefit Analysis of Make-in-India Vs. Made-in-India must be carried out by independent policy research group experts to help decision-makers arrive at a well informed decision on this issue. It should not be presented as option's choice (compulsion) before the nation.

#### **A few warning signals**

To attract FDI for Make in India, India has to speed-up Infra project clearances and implementation, eliminate administrative and political decision delays, corruption, etc. Improve policy implementation of land and labour law reforms at ground level. Now, apart from known bitter open

opponents, NaMo may invite opposition from RSS Swadeshi Movement, BMS (Labour Wing of BJP). Govindacharya joining hands with Anna Hazare & Co. in mass public agitation against Land and Labour Law reforms is a pointer in that direction. When we focus on development, the other socio-cultural issues have to be put on hold for the time-being. We must remember that development has its own cost and sacrifice. Social benefits must exceed social cost. It should be the only basis of an enlightened political choice in a democratic system. If we want development at no social cost, we are living in a fool's paradise.

When we invite 'Make-in-India' in defence production, the technology transfer is not forthcoming as the past experience shows. It involves national security risk also. We have to think more about 'Made-in-India' to happen as early as possible. (Ref:) Ajay Shukla, B.S., Ahmedabad, Jan 6, 2015 p.9 – Made in India Vs. Make in India).

RBI Governor Raghuram Rajan and OECD Chief Economist Catherine L. Mann have argued in favour of 'Make-in-India' for domestic market rather than export. We subsidize exports with cheap inputs as well as undervalued Exchange rate. It is unlikely to be effective right now due to global economic crisis led lack of demand in overseas markets. Concentrate on domestic market and reduce transaction costs by achieving economy of scale. It must be clearly understood that make in India will not be for export unlike in the past. It will be focused on domestic market. It is advisable that it should not lead to avoidable conflict with swadeshi manufacturers just to satisfy craze for foreign brands in elite class in substitution of deshi manufacture instead of import substitution. (Ref. B.S. Ahmadabad February 20, 2015 P.4 Make in India for India makes more sense.)

#### **Is it a new slogan ?**

Make in India has been presented as a new slogan by Nammo Govt. However, it has its origins in India of 1901 when Dadabhai Nauroji had written against economic policy of British India favoring Make in India against export of raw material from India to stop economic exploitation of India. L. Kirlosker and J. N. Tata responded to his all by starting manufacturing in India. Then it was akin to modern Made in India or swadeshi industry. (Ref. Prof. Satish Deodhar's research, Times of India Ahmadabad, 24 Feb, 2015 P.4)

Indians should realize their duty to their own motherland. Bring black money back from tax havens, invest it in India's development- infra projects, Manufacturing, Real Estate and Rural Development. Indian diaspora must come forward to invest in Indian industries. Reform electoral and administrative process to make it inclusive development-oriented.

### **The question of balanced regional growth :**

Make in India call if positively responded by foreign direct investors, will lead to widening gap between developed states (Maharashtra, Gujarat, Tamil Nadu, Karnataka) and under-developed states (Bihar, U.P, Orissa, Rajasthan, M.P. etc). FDI destinations will be only those states who have carried out economic and legal reforms, have developed good infrastructure and have created investor friendly environment and procedures and have secure and peaceful law and order. (Ref. Tamil Nadu fights to retain edge in 'Make in India' race : B.S. Ahmadabad, Jan 9, 2015 P.6)

Made in India (swadeshi) be encouraged to reduce this gap by special state and central incentives to compensate them adequately for diseconomies of location .

Make in India and Made in India both will get a boost if Indian Common Market is developed by introducing GST and later on SAARC and ASEAN Common Markets are developed with regional cooperation.

### **A Few more barriers – Do's and Don'ts called for**

When we invite FDI through Make in India Call it will create domestic resistance in country of origin. If they shift existing manufacturing base from own country/other countries, it will lead to unemployment and decline of exports/increase of imports. Swadeshi lobbies in those countries will oppose such moves. Therefore, it is better to present Make in India as an opportunity to expand overseas business for FDI.

Since Make in India call is intended to attract big MNC's to invest in India, we must be aware of their economic power. Several such corporates have budgets larger than even major countries. They may meddle into domestic politics, may control major Govt. Policy decisions through lobbying and bribes, may exploit input suppliers, labour, channel partners, investors, may pollute environment and may create security risk. They may insist on legal action/ arbitration in their country of origin for dispute resolution. The Govt. of India must observe safeguards to protect interest of all stakeholders and the nation against such risks. History of East India Company be not allowed to get repeated.

Land, Labour and tax law reforms, judicial reforms, corruption free politics and administration, development of infrastructure, restoration of Business confidence must be top agenda to make Make in India call successful. Market reforms in land will shift labour from agriculture to manufacturing. This will call for massive skill development effort. FDI investors (MNC's) will go for automation in manufacturing rather than using labour intensive manufacturing technology. This may lead to a massive growth in unemployment which may intensify Maoist and Naxalite movements posing threat to law and order and

democratic system itself. Nation can ill afford gigantic burden of freebies like national food security. Therefore, strong tax incentives be given to manufacturing sector for skill development, rural development, SME development, use of labour intensive manufacturing.

While retrospective changes in tax laws to increase tax burden be avoided, all necessary safeguards be taken to deter MNC's from tax evasion via transfer pricing route.

There will be no doubt that what NaMo could do to attract FDI in Gujarat successfully, he will be able to do it national level. But safeguards (do'n'ts) call for more careful thought.

India can't afford to adopt Thatcher or Ronald Regaon's pure rightist agenda for development of manufacturing sector. We may move from left to centre position to centre but can't move to extreme right or free market model. We must not allow India to become a colony for MNC exploitation. Make in India and Made in India both have to provide solutions to India's balanced inclusive development need. Let us to be pragmatic. (Ref : Ishan Bakshi : "News Maker : Arivind Pangariya " : B. S. Ahmedabad, Feb. 9, 2015)

### **A Few Positive Policy Decisions**

A few positive decisions taken by Namo Govt. recently kindle hope for success of manufacturing sector. These are listed below :-

- (1) Land acquisition made easy. Labour reforms, GST implementation, single allocation and price guidelines for domestic gas for works, lifting of restrictions on domestic airlines from flying abroad, simplification of Toll collection and implementation of Indian IFRS from 1.4.15 in India already announced / or on the anvil.
- (2) Auction of coal Blocks and 2G,3G spectrum being done in a transparent manner. About Rs. 3 lakh crores revenue already generated. FDI in Insurance raised from 26% to 49%. FDI limit in defence manufacturing raised. Defence procurement process made easy. Real estate investment trust units (REIT) with tax exemption announced. Foreign investment allowed in real estate and railway projects. Investment commitments sealed in Japan, China and USA.
- (3) Planning commission replaced with NITI Ayog. Disinvestment plan announced. Experts groups constituted for advice on reforms. Diesel price deregulated, direct benefit transfer to bank A/C on massive scale to reduce corruption and bogus subsidy burden. Public sector Banks have been assured of no political/ Govt. interference.

The above-stated examples are enough to restore Business Confidence in a single party Govt. with comfortable

majority working under an action – oriented Leader at an impressive speed.

**The Union Budget 2015-16 :** The first full budget of Namo Govt. contains several proposals to give a fiscal policy support to make in India and Made in India both in order to banish poverty by 2022. A few salient proposals are listed hereunder.

1. Five large power projects to ensure 24 hour power supply.
2. Mission innovation to promote innovations
3. Linking Make in India with Skill India program, specially in rural areas to ensure adequate supply of skilled manpower. This may become an alternative to MNREGA where only sand digging (unskilled work) is

being done making supply of labour to agriculture and MSME sectors scarce and costly.

4. Corporate tax rate to be reduced by 5% and wealth tax abolished to attract FDI and IDI both to manufacturing sector.
5. SETU yojana to promote entrepreneurship.
6. MUDRA – A new financial institution to provide finance to MSME sector units. Rs 20,000 crore corpus announced.

Thus, NaMo Govt's first budget 2015-16 makes a confident move towards make in India and Made in India both. Recent steps and new Budget proposal taken together point towards an imminent bright future of '*Ache din aa rahe hain*'