

Industry Consortiums to Invigorate Manufacturing

India has less than 3 percent share in the world's nominal GDP based upon exchange and mere 2.05% share in the world manufacturing, in spite of a 17.8 percent share in the world population. China too had only 2.4% share in world manufacturing in 1981. But, today it has a 23 percent share in world manufacturing and has thereby pushed the US to second position with 17.2% share in world manufacturing. Moreover, of late, in the post reforms period India has even been experiencing de-industrialization, on account of liberal imports and growing foreign direct investments (FDI). Most of the foreign MNCs, which have brought FDI into India have mostly been bringing their components or completely knocked down (CKD) kits from outside and are merely assembling their products into the country. So, the real manufacturing, including manufacturing of the original equipments has been going down, ever since the onset of the economic reforms in 1990s. Besides, the Indian brands and indigenously manufactured products are also fast losing their market share, and many of these are turning to be extinct. They are being replaced by Chinese or other foreign brands. More than two-thirds of the manufacturing in most of the sectors in India has gone under foreign ownership and control in last 24 years of economic reforms which was largely under Indian ownership and control, before the reforms. Even, many of the Indian brands too have Chinese or other imported components or even sometimes the Indian brands too are assembled outside India, mostly in China, and merely bear the tags of Indian brands. Besides, on account of dumping of cheap products by China, industry and industrial cluster after cluster are turning sick and facing closures at a large scale. The worse target of cheap dumping are the tiny and small scale industries, ranging from toys, cycle and cycle parts glass products, leather products furniture to electricals and so on. Therefore, there is an urgent need of pursuing the strategy to our manufacturing technology and promote 'Made by India' products and brands.

In several major sectors of economy, India has only a miniscule share in manufacturing. For example, in world ship-building, share of India is just 0.01%. While South Korea, which has just 5% of our area and 5% population has 26% share in world ship-building, in spite of the fact that India is the 4th largest steel producer in the world with a large pool of skilled manpower. To the contrary, wherever the industry is provided an enabling environment by the government, it has done well. For instance, in case of pharma sector, by virtue of an enabling patents regime provided since 1970 onwards till 2005, the Indian pharmaceuticals sector has become capable to contribute almost 10% by volume, in the world pharma manufacturing and now provides affordable medicines world over. Thereby, India is also called the pharmacy of the world. But, now this sector is also on rapid decline on account of changes made in the patent laws of India, since 2005 to comply with the agreement on TRIPS of the World Trade Organization (WTO). India can grow only if indigenous industry flourishes. This requires promoting domestically owned enterprises. For this, the domestically owned enterprises have to enhance their technology, quality and bring economy in their operation.

India needs to adopt consortium approach to move fast on the path to upgrade and develop technologies across the manufacturing value chains in different sectors, needed to make Indian manufacturing and services economical and competitive world over and attain an edge over the foreign products and services. The industry consortiums approach, already having firm footing in Euro-American and other industrialized countries can only place Indian manufacturing in the front rank, worldwide by virtue of their time tested capability to develop affordable technologies at the least cost. The major industry clusters if transformed into consortiums and consortium development is stepped up across the country, horizontally as well as vertically for most of the sectors this can only help the country to overtake other industrialized countries including China.

Industrial Research is a high cost prerogative and most of the industrialized countries have promoted industry-level pre-competitive cooperative researches by sharing the cost of developing latest state of the art technologies for a host of industries with liberal financial support from government via 3 cooperative routes. The 3 common cooperatives routes have been: (i) Initiating formation of industry specific consortia for technical and market research and liberal state funding of these consortia. (ii) Facilitating formation of Technology Development Cooperative Association and state funding of these. (iii) Facilitating, recognizing and supporting Technology Development Cooperation

Agreements among 2 or more companies as well as by industry level agreements. The United States has enacted the Cooperative Research Act, as early as in 1984 to develop Industry Consortia for collective industry level efforts in R&D and market researches with government support. Even the Airbus corporation was initially developed as an industry consortium of aerospace component manufacturers of Europe to launch a high-end civilian aircraft in competition with the Boeing of the U.S. This Airbus Consortium i.e. “association of Aerospace component manufacturers” from across the Europe, then developed and launched high-end civilian aircrafts under the brand of Airbus Industries consortium. The same Airbus consortium has been converted into Airbus Corporation much later. All the consortium members, who were aerospace component makers became shareholder into the corporation made from consortium.

In US, Europe, Japan, South Korea, Taiwan etc. there are several hundred industry consortia, both vertical as well as horizontal, which are liberally supported by their respective governments for pre-competitive research, technology development, market research and brand promotion. In US, there are more than 1200 consortia for the industries ranging from Photonics, Automobiles, Telecom, IT, Pharma, Energy, Agrochemicals, Biotechnology and so on. Most of which are funded by the government from 70% to 90%. The rest is contributed by the individual corporate units, member of the industry consortium concerned. Most of the advanced Researches on each industry segment are being conducted by the industry consortium concerned. Through such researches being conducted by the Industry consortia, the U.S. and other countries are powering the development of advanced technology for having an edge over other countries. India can take an edge over the whole world in technology development through consortium approach.

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