



ECONOMICS

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Shining Examples of Strategic Concepts of Atmanirbhar Bharat and Be-Vocal-for –Local

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 Mukul Asher (<https://myind.net/Home/authorArchives/2097>)



The Context

In response to the COVID-19 Pandemic, India's economic policy has been guided by strategic concepts of Atmanirbhar (self-reliant) Bharat Abhiyan (ABA) and Be-Vocal-for Local (BVFL).

Variants of these concepts have been applied globally, as the COVID-19 Pandemic has underscored the urgency of not being over-reliant on one economic partner, and not becoming over-dependent on narrowly-based elaborate supply and logistic chains.

There is a fundamental rethinking about how a country should participate in the globalization process in the changed global environment.

The ABA and BVFL have the potential to substantially expand trade, investment, and cross-border manpower flows, as it lays the foundations for higher and more broad-based and resilient growth in India.

Interpreting ABA and BVFL

Atmanirbhar Bharat Abhiyan (ABA) literally means a movement to make India (Bharat) more self-reliant. Self-reliance in this context is meant to embark on a path of India pursuing enhanced global competitiveness and competence in sectors and activities of key importance for India's geo-economic and geo-strategic goals.

The Principal Economic Advisor, Government of India, Sanjeev Sanyal has argued that "...the idea of self-reliance is about resilience, leveraging internal strengths, personal responsibility, and a sense of national mission (or "Man Making") to use the late 19th century expression of Swami Vivekananda".

ABA is designed to enhance the ability of Indian companies to create world-class products and capture the domestic market and then use the strength of the domestic market to penetrate into the global market.

ABA encourages Indian businesses to move into new technology areas, and to adopt existing technology to suit the Indian conditions and context through context specific sectoral incentives. India is also attempting to bring about attitudinal and behavioural change to facilitate ABA.

Niti Aayog's CEO Amitabh Kant, in a recent webinar has argued that India's approach is not about turning inwards, but about creating global champions. "It's not about protection but promotion combined with performance. There are certain benchmarks set and the incentives are based on that. Additionally, there is terminal date for these incentives."

The BVFL is designed to enhance the importance in policies and behaviour by stakeholders given to home-grown products, management, ideas, and techniques, and to the indigenous expertise.

One example which underlines the need for BVFL is that while Indian have not given sufficient recognition to the country's recent initiatives to transform the economy and society, Bill Gates of Microsoft to state at Fintech Festival, Singapore in early December 2020 indicated that: "If people are going to study one country right now, other than China, I'd say they should look at India. Things are really exploding there and innovation around that system is phenomenal."

The BVFL requires a behavioral change, which does not come about automatically or quickly. It is a process which must be sustained, founded on solid capabilities.

The above two ideas represent an optimistic, confident outward looking world view, opposite of what was contained in the earlier import substitution policies which were based on export pessimism, weak macroeconomic and external sector indicators, and lack of confidence in Indian capabilities by those in leading positions in the society.

But these are not the defining characteristic of new India, its people, and its leadership today. This is regularly documented in a bi-monthly New India Samachar¹.

The ABA and BVFL are to be applied with technology-centric efforts to the economic sectors, including infrastructure, agriculture, and business regulation, expanding economic freedom and use of markets; and to social sectors such as health care.

The possibilities of technology-centricity are suggested by a Kunal Kapoor's statement of 12 December 2020 on Twitter. "Got off a zoom call with two 15-year-old persons who are starting a tech company to improve water management. The entrepreneurial energy of this country is unbelievable. Every street from the big cities to the smallest of towns is dreaming and working for this tech enabled future."

Key Policy Instruments of ABA and BVFL

A key policy instrument is globally competitive corporate tax rate (CIT), accompanied by tax administration reforms.

While effective Corporate income tax (CIT) rate ranges from 26.0 to 34.94% depending on the turnover of the company, CIT rate of 22% (plus surcharge of 10% and applicable health and education cess of 4%) was announced with effect from tax year 2019/20. This rate is at the option of the company and is applicable on satisfaction of certain conditions.

The Taxation Laws (Amendment) Act 2019 has announced a beneficial CIT rate of 15% (plus surcharge of 10% and applicable health and education cess of 4%) with effect from tax year 2019/20 for newly set-up domestic manufacturing companies. The benefit of concessional tax rate of 15% has been extended to domestic companies engaged in the business of generation of electricity from tax year 2020/21.

Another key policy instrument is the Production -Linked -Incentive (PLI).

The budget allocation for PLI is estimated to be INR 2 Trillion (around USD 13 Billion) covering 10 labor-intensive manufacturing sectors. The sectors include automobiles and auto components, pharmaceutical drugs, advanced chemistry cells (ACC), capital goods, technology products, textile products, white goods, food products, telecom and specialty steel. Electronics and telecom equipment have received particular priority.

Financial outlays have been allocated over a five-year period for the 10 sectors, and the aim of the scheme is to provide a boost to the Indian manufacturing sector, promote exports and make India an integral part of the global supply chain.

PLI gives companies incentives on incremental sales from products manufactured in domestic units. Apart from inviting foreign companies to set shop in India, the scheme also aims to encourage local companies to set up or expand existing manufacturing units.

The scheme envisages providing on average 5% of the production value as an incentive. Swarajya reports that BNP Paribas research report suggests that minimum production as a result of the PLI scheme stands to be around \$520 billion over the next five years².

Some states such as UP, Karnataka, Tamil Nadu and Gujarat have provided their own additional incentives to attract domestic and foreign investments.

Select Examples of Application of ABA and BVFL

There are many examples where application of ABA and BVFL are transforming the Indian economy and society. But only the select examples are given in this column. Those examples where global participation is evident are given preference to underline that BA and BVFL are designed to further India with the global technology, finance, markets, talent and management, and ideas.

India is continuing to attract investments from sovereign funds. While Gulf SWFs such as the UAE's ADIA, Saudi Arabia's PIF and Qatar's QIA have large investment exposure to the Indian market, in what would be a first for the country, Singapore's sovereign wealth fund GIC is planning to establish an India-dedicated public market fund, whose estimated size is USD 3 billion.

The fund will be the first dedicated pool of capital for domestic equities set up by a large global financial institution.

Japan is also reportedly working on a USD 200 million fund of funds for startup investments in India.

Energy Sector

The upcoming hybrid renewable energy park in the district of Kutch is expected to attract an investment of INR 1500 Billion (USD 20 Billion) and provide livelihood to about 0.1 million.

The first of its kind energy project is spread over 72,600 hectares of waste land. It is expected to play a major role in fulfilling the nation's vision of generating power of 450 gigawatt by the year 2030³.

Mukesh Ambani led Reliance Industries Limited (RIL) and British multinational oil and gas major BP have announced their first gas finding in what is Asia's deepest offshore field. The combine has struck gas at the ultra-deep-water gas field called R Cluster of the Krishna Godavari (KG) D6 basin. Other than this, the combine is also developing two more deep-water gas fields in KG D6 block, called the Satellites Cluster and MJ. Once operational by 2023, the production from the three gas fields will together meet 15% of India's gas demand⁴.

Electronics and Electric Vehicle Sector

In mid-December 2020, Communication and IT Minister stated that the vision for electronics manufacturing is that by 2025, India will produce one billion mobile phones. 50 million television sets, and 50 million IT hardware devices such as laptops and tablets.

Example 1

Tata Sons, a large conglomerate with global presence, plans a capital expenditure of USD \$1.5 billion for building manufacturing capacity in the country to cater to Apple's sourcing needs for components. It is looking to secure USD 750 million to USD 1 billion in external commercial

borrowings while mobilising the remaining sum through internal accruals. The plant may eventually scale up to meet the requirements of other original equipment manufacturers from South Korea and Japan.

This illustrates global partnership for electronic technology, accessing global finance, and plans to scale up to cater to requirements of several countries.

Example 2

Samsung is to make an investment of INR 48 Billion to relocate its mobile and IT display production unit from China to NCR in Uttar Pradesh. The UP cabinet has approved special additional incentives for the project⁵

Example 3

It is reported that Micron has agreed to set up a Center of Excellence in memory and storage systems in India with Government of India⁶.

Example 4

With an aim to make India a manufacturing hub for electric vehicles, Ola, on 14 December 2020 signed an MoU with the Tamil Nadu government for an investment of ₹2,400 crore in setting up its first factory in the State.

Upon completion, the factory will create almost 10,000 jobs and will be the world's largest scooter manufacturing facility, which will initially have an annual capacity of 2 million units

The factory will also galvanize India's EV ecosystem and establish India as a key player in the EV manufacturing space. Ola believes that India, with its unique skill sets, manpower and demography, is well-placed to be a global hub for the cutting-edge manufacturing of EVs.

Ola's factory will cater to customers not only in India but also in markets around the world including Europe, Asia and Latin America. The company is gearing up to launch the first of its range of electric scooters in the coming months⁷

Example 5

In a move aimed at incentivising and attracting investment for setting up of chip manufacturing in India, the Union Ministry of Electronics and Information Technology (MeitY) has issued a notice inviting Expression of Interest (EoI) for setting up / expansion of existing Semiconductor wafer / device fabrication (FAB) facilities in India or acquisition of Semiconductor FABs outside India.

MeitY asked the interested firm to indicate the kind of financial support desired from the Government of India, including Grant-in-Aid (GIA), Viability Gap Funding (VGF) in the form of Equity and / or Long-Term Interest Free Loan (LIFL), tax incentives, infrastructure support, etc.

MeitY said that despite India building a thriving Fabless Design ecosystem, it lacks a robust electronic components and semiconductor manufacturing ecosystem⁸.

Infrastructure

Example 1

According to Zurich Airport International Asia, winner of the airport project, Phase-I of the Noida International Airport project, located in Uttar Pradesh, is expected to be completed by early 2024. On completion, the airport, under Phase-I, will cater to 12 million passengers. Due to its location in the National capital region (NCR), the airport is expected to lead to substantial crowding-in of other investments, especially in the real estate sector⁹.

Example 2

Uttar Pradesh State is seeking Foreign Direct Investment (FDI) for Rs.360 Billion (USD 4.8 Billion) Ganga expressway project whose total length is 1020 KM when both phases are completed. 100% FDI is permitted in this project. It is expected to begin in June 21 and completed by 2024¹⁰.

Agriculture, Food Processing

PM Modi when addressing the 93rd AGM of FICCI (Federation of Indian Chambers of Commerce and industry), 12 December 2020, noted that: "We had seen walls between the agriculture sector and other areas associated with it - be it agriculture infrastructure, food processing, storage or cold chain. We don't want walls. We want bridges. All walls and obstacles are being removed now."

India and UAE are partnering to build food-corridor with projected investment of USD 7 Billion. It aims to secure the Gulf country's food security needs.

Eight food processing units are to be set up in the Indian state of Madhya Pradesh with UAE funding.

The corridor is expected to benefit 2 million Indian farmers and create an additional 200,000 jobs through the establishment of logistics infrastructure and agricultural projects.

India's Production Linked Incentive (PLI) scheme will give firms incentives on incremental sales from products manufactured at manufacturing and processing units¹¹.

Textiles and Leather

India has over 200 manufacturers of N-95 masks and exported over 40 million of these masks and 20 million personal protection equipment (PPE) suits. India has domestically produced over 60 million PPE suits and till October, 150 million N-95 masks from zero in March.

"We didn't dilute any technical standards...In a lockdown state, we have now ensured 0.5 million sustainable direct jobs," Textile Minister said at an event organized by the Institute for Competitiveness.

The country has over 1,100 companies to produce PPE suits and has become the second largest exporter of PPEs to the world¹².

India plans a major revamp of the textile sector. The policymakers are pushing the industry out of their comfort zone towards man-made fiber and technical textiles, the areas of future growth.

A new ecosystem is being implemented through production-linked incentives and the new textile policy.

The Textile Ministry hopes that what has been accomplished in PPE, can be replicated in man-made fiber and technical textiles sector by enhancing competitiveness.

The Indian Cabinet in November 2020 approved an INR 107 Billion (Production Linked Incentive) PLI scheme for man-made fiber and technical textiles. The government has also undertaken a Rs 1,480 crore National Technical Textiles Mission (NTTM) to improve penetration level of technical textiles in the country which has a four-year implementation period from 2020-21 to 2023-24.

The Textile Ministry has launched 'India Size' Project. It is an initiative to have India's own size chart will benefit both manufacturers and consumers. It also has potential to facilitate textile exports.

Website (<https://nift.ac.in/indiasize/> (<https://t.co/f9BweY3yVc?amp=1>)) invites people to register for the survey that will be carried out for sizing standardization.

Leather Park

The Uttar Pradesh government is set to establish India's first mega leather park in Kanpur. The project is expected to generate around 50,000 employment opportunities and indirectly provide livelihood to almost 1,50,000 individuals.

The leather cluster will be built in Kanpur's Ramaipur village across 235 acres at a cost of INR 58 Billion and is expected to attract further investments worth INR 130 Billion.

A treatment plant will be stationed within the park to stop the pollution of the Ganga River due to the manufacturing of leather products¹³.

Concluding Remarks

In a changed and fragile global environment where countries are attempting find different ways and select context specific instruments to manage globalization, India has designed ABA and BVFL to transform its economy and society.

In this column, select examples of projects in diverse sectors and from various parts of India which are consistent with the ABA and the BVFL, and which further India's integration with the global economy, have been provided. It is the cumulative effect of many projects widely spread across sectors geographies, and scale that will help transform India.

Building a new confident India on these foundations is a process and not an event, and the path may not always be smooth in the desired direction. Managing political economy and exhibiting greater political maturity be the current opposition parties would help facilitate building new India.

To progress toward using ABA and BVFL to transform India's economy and society, cooperation between individual states and the Union government, in the spirit of cooperative federalism is essential. Those states which exhibit different priorities, not consistent with ABA and BVFL are likely to find themselves at a relative disadvantage over time.

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