

BusinessLine

The policy mix that industry needs

The government should encourage indigenous industry and rethink its FTA policies



BABA N KALYANI

To stay competitive in the global market place and create employment opportunities for the country's young workforce, it is imperative for India to transform its manufacturing sector.

Developed countries such as the US, UK, Germany, Japan, South Korea, Israel and Finland are largely innovation-driven, characterised by high per capita income levels, high standards of living and various industries with advanced technology and the capability to manufacture new and unique products. For India to be counted among these countries, we have a long way to go.

The primary characteristics of advanced manufacturing industries are high R&D spend, use of futuristic technologies, requirement of highly skilled manpower, and drivers of innovation and productivity in other sectors.

According to a study done by the Brookings Foundation and McKin-

sey & Co, the advanced manufacturing industries are those that display high R&D spending as a share of total sales and employ a highly skilled workforce in which the average worker is expert in at least one discrete STEM (Science, Technology, Engineering, Mathematics) field.

SWOT analysis

India has low indigenous manufacturing capability in the bio medical devices industry, heavy machinery (mechanical and electrical) industry and the semiconductor and advanced electronics industries. India's competence is restricted to automotives, auto-components, consumer goods, basic computer hardware, pharmaceuticals and so on – all of which are largely driven by private industry.

Developing India's advanced manufacturing capabilities will not be easy. Strong challenges from other nations, inconsistent engineering and workforce training systems, and the absence of a good quality talent ecosystem continue to haunt us.

While efforts to develop the advanced manufacturing sector will largely depend on private initiative, national-level initiatives are needed on R&D investment, skills-building, taxes, trade and infrastructure.

The three potential value cre-



Focus on innovation It pays FREEPROD33/SHUTTERSTOCK.COM

ators – industry, government and academia – have their task cut out. At city and cluster levels, industry and academia should work together in innovation, invest in local industry clusters, drive trade and build the necessary skills base to revamp and build a robust manufacturing sector.

Industry should look beyond 'low cost', focus on technology-driven innovation, increase value addition, and create skill development institutes by engaging with academia.

The new government should look at implementing the National Manufacturing Policy effectively. While encouraging the private and public sector to build advanced

technical capabilities, it should prioritise indigenisation of the Railways, defence and power. The creation of national industrial manufacturing zones and industrial corridors should kick up speed.

The academia should help industry create an R&D ecosystem and enhance our intellectual property resources.

The new government should bring accountability to the system. If it wants to reject a proposal, it should be able to say so in a month. We need one unified ministry for trade, economy and industry like Japan's METI (ministry of economy, trade and industry). They often work at cross-purposes. We need concerted focus on skills training,

we need good infrastructure that will help manufacturing. This ecosystem will have to be created with the help of national laws.

Indigenisation effort

We are not encouraging domestic companies to participate in Indian projects. Our entrepreneurs should be allowed to take the lead. Big projects like the DMIC (Delhi-Mumbai industrial corridor), India's most ambitious industrial programme, can do with local capabilities and participation. Many Indian companies have proven themselves, yet there is a lack of trust.

We have instead signed FTAs (free trade agreements) with several countries. As a result, imports have gone up in the last seven years.

In our auto-component business, there are big imports from China and elsewhere. Local manufacturing has fallen, structural changes are needed. It's a scary state of affairs.

Advanced manufacturing is another important area. These are high-value added sectors which use futuristic technologies, require high R&D spend and drive innovation and productivity. In sum, we are all looking for change

The writer is the Chairman & MD of Bharat Forge