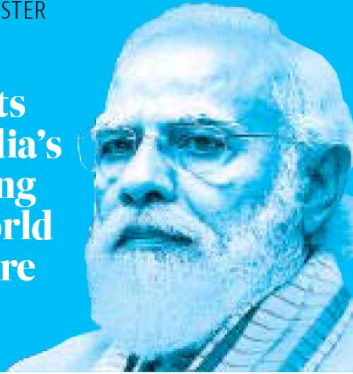


{ NARENDRA MODI } PRIME MINISTER



India's local products are going global. India's voice is also becoming more global. The world listens to India more intently



What will drive India's next economic transformation

With global supply chains being reformed, India must position itself as a vital link in this new order. Governments across the world are encouraging countries to shift their manufacturing out of China. A strong export orientation, cost-competitive manufacturing and creation of domestic champions is the need of the hour. An *Atmanirbhar Bharat* (self-reliant India) will not be possible without growing exports to serve global markets. Therefore, global orientation is imperative.

At the same time, India imports a large number of commodities that are available in abundance within India itself. Take coal for instance. Despite having some of the largest reserves in the world, India still imported coal worth ₹1.7 lakh crore in 2018-19. Now, with commercial coal mining a reality, we should see steady reductions in our import bills. Defence is another area where India has been a large importer. A gradual import substitution of 101 items worth ₹3.5 lakh crore over the next five years has already been announced and a bold move of increasing FDI limits from 49% to 74% also announced.

India has an abundance of minerals which can go into making metals like aluminium which has strategic future uses and super-alloys needed for defence production and in a range of industries. Providing a reform-based stimulus to the economy during the Covid-19-induced recession, historic reforms were announced in the agriculture sector and the coal sector was de-monopolised, paving the way for private sector investment. A conducive business environment will enable both domestic and foreign investment. However, there are a few critical elements that must be addressed to create a business environment that is the envy of the world.

Prime Minister (PM) Narendra Modi's vision for an *Atmanirbhar Bharat* hinges decisively on the success we are able to achieve in our manufacturing sector. We must move away from capital-linked subsidies to production-linked incentives. And this has been showing encouraging results. The production-linked incentive (PLI) scheme for mobile phone manufacturing has been showing

impressive results. Several other PLI schemes have been announced. This is one of the vital cogs in enabling large-scale, low-cost manufacturing.

While imposing tariffs on imports seems like an easy solution to reducing imports, the effect is some time the opposite of what was expected. If duties are raised on critical inputs for exports, then the cost of exports would rise, making them uncompetitive in global markets. Even if duties are imposed on consumer goods, the duties should contain a sunset clause and be phased out in a clearly-defined timeline, allowing the domestic industry to grow.

Land and labour have been the traditional constraints in achieving scale in manufacturing. Multiple labour laws at the central government-level will be subsumed into four labour codes, with three set to be tabled in the coming monsoon session of Parliament.

Another vital element is that of easing the regulatory burden. India has already made progress in this

regard, as evidenced by our jump of 79 positions in the World Bank's Ease of Doing Business Rankings. Going forward, delays in clearances and multiple permissions must become a thing of the past. The states must take the lead and cooperate on this front.

India's high cost of logistics relative to other competing nations has been a disadvantage. The central government will continue its push towards elevating India's infrastructure to world-class standards through the National Infrastructure Pipeline. Our port turnaround time stands at approximately 60 hours, despite significant improvements in the past years. Digitisation of our ports will be critical in reducing our turnaround time.

India's domestic market will serve as the base of an *Atmanirbhar Bharat*. Combined with world class infrastructure and a conducive business environment, India will attract both domestic and foreign investments in manufacturing. These investments will, in turn, promote high quality, cost-competitive manufacturing, leading to India taking its rightful place in global value chains.



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The views expressed are personal