‘Make In India’ A Tool to Transfer India’s Manufacturing Sector to Foreign Capital

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In September 2014, our Prime Minister, Modi proudly declared ‘Make in India’ initiative to promote our manufacturing sector to the highest level. This is part of the several measures initiated on the name of ‘National Building’. The government assumes that foreign investment and foreign technology is necessary to transform India into a global manufacturing - hub. Therefore, it would like to take various measures to attract them. ‘Make in India’, “sell anywhere but manufacture in India” is a slogan to popularise the initiative. We all know that the present government for the past 9 years has aggressively been implementing the policies formulated under the framework of neo-liberal policies to strengthen the domination of imperialist, corporate forces. Therefore, the ‘Make in India’ will not be different from this structure. It has been initiated as a powerful instrument to accentuate liberalisation so as to transfer the entire wealth of our nation.

The Aims of ‘Make in India’ :

Attracting investments, encouraging innovations, developing skills and providing necessary infrastructure are necessary to realise ‘Make in India’. The aims include 1) to raise annual growth rate of manufacturing sector from present 7 percent to 12 to 14 percentage. 2) to increase the share of manufacturing sector in Gross Domestic Product from present 15 percent to 25 percent on par with other South Asian Nations by 2022. However, it has been extended to 2025 later on. Even in 2023, the share did not exceed 15.6 percent. Therefore, it is declared that the goal is to achieve 21 percent by 2031. 3) Another important goal is to provide 100 million additional jobs by 2022. In this regard the study conducted by ‘Ashoka University’s Centre for Economic Data Analysis’ shows that the employment creation is to the tune of 24 million during 2016-17 to 2020-21. But the loss of employment during the period of Covid-19 pandemic is as high as 11 million. It is a serious contradiction that our government is pretending as if it is not conscious of this utter failure.

India is always attractive to foreign capital with the characteristics of the availability of cheap labour especially young labour power along with abundant natural resources and large size market. Still, our government aims to raise the process of liberalisation to the top level on the name of ‘Make in India’.

The provision of facilities, concessions and incentives for foreign capital to attract them means creating favourable environment to make investment in our country hassle free so as to occupy our manufacturing sector easily especially our key industries, to exploit our labour power as well as natural resources. Moreover, additionally provides tax concessions and various incentives to earn maximum profits easily and finally to strengthen their domination on our structures of economy.

Our government has created 'Invest India Cell' as a first reference point to guide foreign investors, e -Biz single window online portal, which integrates all Central government services. States are advised to introduce self-certification. Further, a web portal is established to answer all the queries and doubts of foreign investors. The Ministry of Home Affairs should give all security clearances to investment proposals in 3 months. The Companies (Amendment) Act, 2015 removes minimum paid-up capital condition. Many regulatory requirements are simplified. Industrial license validity is extended to three years.

In order to ensure the domination of foreign investment, it is necessary to raise share in various sectors of manufacturing. The share of foreign investment is raised from 26 percent to 49 percent in defence sector which is very crucial for our nation's protection. Further, in 2020 it has been increased to 74 percent for automatic route and 100 percent to government route. Moreover, many defence items are delicensed. In the Railways, the share of foreign investment increased from zero to 100 percent. The insurance sector is also opened for foreign investment.

The 25 sectors which are identified for 'Make in India' are permitted for 100 percent foreign investment. On the assumption that growing urbanisation will increase the demand for electronic goods especially mobiles, 100 percent FDI is permitted in this sector and various Capex benefits are provided under modified special incentive policy scheme. The units in SEZs have income tax benefit to income from exports and supplies are exempted from GST. Consequently, the government has received proposals worth Rs 1.20 lakh crores during September 2013 to November 2017 from foreign electronic companies.

Further, the corporate tax is lessened. Ours is lowest corporate tax in the world. In order to remove the burden of tax on suppliers at any stage due to multiple tax system, the GST is introduced which ensures entire burden of tax on the final consumer. The new Insolvency and Bankruptcy Code, 2016 passed. Legal facilities are created for easy bankruptcy and easy exit. 29 Central laws are transformed into 4 labour codes to abolish all the rights of workers that have been achieved through struggles for the past several decades. Now, exploitation of labour is legal. Further, various environmental protection acts are liberalised.

The Production Linked Incentive Scheme has been started in 2021 with Rs 1.97 lakh crores for monopoly capital on the name of rising domestic production. An incentive programme with $ 10 billion started to design semi conductors. The "public procurement preference to Make in India" order passed in 2017 for purchase of 'Make in India' products by the government. The Gati Shakti programme is formulated to connect all manufacturing hubs with multiple transportation systems for Speed transport of people and goods. One District - one Product proposal ensures our products to reach global platform. Many new laws are formulated, old laws either modified or abolished for Ease of Doing Business. So many schemes like Skill India, Start up India, Digital India, Smart city, Sagarmala for 'Make in India'.

Did the 'Make in India' Achieve Declared Goals?

As a result of so many measures introduced for the facility of monopoly capital, our rank in the 'Ease of Doing Business' (EODB) made by the World Bank is improved from 100 to 63 out of 190 countries. Consequently, the inflow of foreign investments increased from $ 45.15 billion in 2014-15 to $ 83.60 billions in 2021-22.

Despite this, the annual growth rate of manufacturing sector during 2014-15 and 2019-20 is 6.9 percent only. Make in India failed to achieve 12 to 14 percent in this regard. Moreover, a marginal fall can be noticed. How the share of manufacturing sector in Gross Domestic product has decreased from 16.3 percent in 2014-15 to 14.3 percent in 2020-21? The manufacturing sector cannot sustain by itself. All other policies are designed to favour the profits of the imperialists. The investments in key sectors are not the same as in manufacturing sector. Long term dominance on and profits of imperialists play the crucial role.

Another goal of 'Make in India' is to raise Domestic Value Added (DVA) component in the exports. The data of Central Statistical Organisation shows that our manufacturing sector became as a 'sub - supply hub'. The Domestic Value Added in exports has decreased while Foreign Value Added has been increased. This is the result of sub - supply hub form. Further, it resulted in the great loss in terms of high environmental pollution. Thus, the 'Make in India' achieved only one goal in terms of raising inflow of foreign investment by providing various facilities legally. This resulted in establishing and strengthening of foreign capital on our manufacturing sector. The Comprador Bourgeoisie government achieved its goal successfully.

Campaigning Toys Industry as a Success Story of Make in India is False:

The toys industry has been proudly popularised as a success story of Make in India in terms of raising exports from Rs 812 crores to Rs 1237 crores and decreasing imports from Rs 2593 crores to Rs 819 crores during 2018- 19 to 2021-22.

In fact, it is highly labour-intensive cottage industry. It could survive due to the implementation of reservation policy for the protection of small industry. However, the policy is abolished in 1997. It is started to give permissions to large toys industries to manufacture toys. In 2015-16, out of 15,000 toys industrial units, only one percent is registered with 77 percent share in production, 63 percent share in use of Fixed Capital while only 20 percent in employment. This clearly shows the capital intensity of registered toys industrial units. As a result of 'Make in India' the registered units have been increased to 151 in 2015-16. The production decreased from Rs 1716 crores to Rs 861 crores and the number of units fell from 20,800 to 14,800 while the employment is reduced from 59,000 to 35,000. The number of units in informal sector are decreased to a large extent. In 2015-16, toys exports are only Rs 825 crores while imports are as high as Rs 2,373 crores. US is largest market in the world in terms of importing toys in which the share of China is 78 percent where as ours share is just 0.5 percent.

The sudden steep fall in the imports of toys is due to rise in the tariff from 20 percent to 60 percent from 2018-19 onwards and imposed non - tariff barriers also. The rising trade deficit in the balance of payments shows the failure of 'Make in India'.

Inflow of Foreign Investment:

The rise in the foreign investments inflows is due to creation of high-level ease of doing business by 'Make in India'. Still, it did not result in the rise in the growth rate of manufacturing sector as well as employment generation. It is serious to notice that the major part of FDI is neither foreign nor direct. The enormous rise in the volume of black money in our country come back as foreign investment via shell companies in tax haven country, Mauritius and enjoys all the tax concessions, incentives and other benefits. This process is on the rise continuously since globalisation.

Moreover, the Phantom investments are emerged in the process of minimising global tax payments by monopoly capital. This is in the form of shell companies in tax haven countries in which either no tax or minimum tax. The share of phontom investments in global foreign direct investment is as high as 25 percent indicates the seriousness of the problem. The shell companies will not transfer production processes, capital, innovations and technology. Even India cannot be isolated from the impact of Phantom investment.

Further, the major part of foreign investment is highly concentrated in service sector which yields high and quick profits. The foreign investments in service sector is three times higher when compared to manufacturing sector. The 'Make in India' initiative which is success in attracting foreign investments failed to direct it to the manufacturing sector. The Economic Survey, 2018-19 states that the ratio of private gross fixed capital accumulation to Gross Domestic Product has decreased from 31.3 percent in 2013-14 to 28.6 percent in 2017-18.

The Foreign Investments will not transfer technology. Moreover, the ceilings for Royalty payments etc for technology imports have been liberalised in 2009. As a result MNCs in India started to increase import of technology excessively. In fact, all these industries are export - oriented. This resulted in the continuous rise in the Foreign Value Added component in exports. The royalty payments increased enormously. Government is compelled to constitute an Inter- Ministerial panel to find out the causes for it. The data of OECD - WTO Trade in Value Added reveals that the ratio of Forward and Backward linkage industries in Global Value Chain is less than one indicates negative benefits from value added. The import - dependent Assembling Units came to India due to 'Make in India'. The stage of Assembling in Global Value Chain is lowest. NITI Aayog statement of 'Foreign firms will create Domestic suppliers Network' is proved wrong. Moreover, the foreign investments will move quickly to other countries which offer cheap labour, resources, high concessions and incentives. No technology transfer from foreign investment and our manufacturing sector will always be unstable due to its excessive dependence on foreign investment.

In the context of our Prime Minister, Modi's recent visit to US, Micron, Chip making company express its readiness to invest in India to the tune of Rs 6800 crores. It will not manufacture Chips in India but will establish only testing and packing centres. For this, our Central government give 50 percent subsidy and the land allocated by State Government and its other concessions constitute 20 percent i.e. totally 70 percent subsidies. This clearly indicates that the Micron will become the owner of Rs 6,800 crore firm with just Rs 2,200 crore investment.

Another serious contradiction is that our government discourages domestic research. Tax rebate for the funds allocated towards research and development has been decreased from 200 percent to 150 percent in 2017 and 100 percent in 2020. The ratio of Research and Development to Gross Domestic Product has been decreased from 0.83 percent to 0.69 percent during 2011-15. It is sad to notice that the engineers and staff of ISRO who are behind the success of Chandrayaan - 3 have not been paid their salaries for the last one year. This clearly indicates negligence of government towards domestic technology.

For the purpose of Ease of Doing Business, several Acts, Norms and Regulations are either abolished or liberalised. The aim is to issue licenses as quickly as possible. All this has resulted in the misuse of scarce and valuable resources like land and water and excessive creation of pollution. The ethanol factory built last year in Chithhanur village of Narayanapet district in Telangana uses 18 lakh kilograms rice and 30 lakh liters of water per day to produce 6 lakh liter ethanol. This process will produce 330 tons of wastage and 340 tons of carbon dioxide etc. poisonous gases per day. It is highly dangerous not only to the 54 villages around it but also to the entire State. Therefore, people are seriously protesting against the factory.

Global Value Chain:

'Make in India' aims to develop our manufacturing sector and become an important part in Global Value Chain. It requires the rise in the Domestic Value Added through domestic technology, capital, skills and raw materials. Contrastingly, the dependence on foreign technology aggressively increased. As per the data of Central Statistical Organisation, this trend is on the rise continuously. The Multi-National Corporations, for the past two decades could divide and subdivide the process of production minutely with vertical disintegration into various stages owing to their monopoly on technical knowledge due to patents. The highest-level processes like design, brand and marketing will be in the control of intellectual monopoly capital and they remain in advanced Countries/ Global North. They will transfer middle level process like full package, supply and low-level processes like assembly to developing/emerging economies. Thus, the distribution of different parts in Global Value Chain will be decided and dictated by the monopoly capital of dominant Countries. The disparity between knowledge creation and knowledge utilisation has been established firmly. The accumulation of development will solely depend upon the creation of knowledge. The emerging economies compete among themselves for lowest level processes in the Global Value Chain by the implementation of neo - liberal policies. Further, all of them should supply the goods to monopoly organisations through Global Value Chain. Thus, the Multinational Corporations could also dominate as single buyer i.e. monopolist and derive benefits. Moreover, the rate of profit varies according to the level of processes in the Global Value Chain. For example, in 2020-21 the rate of profit of popular US companies like Ralph Lawren, Leristran in garments, Apple, Cisco, Intel in electronics, consultancy leaders IBM and Accenture will be as high as 40 to 60 percent. While the rate of profit for our renounced Infosys and TCS is 30 percent. The Annual Survey of Industry states that the gross rate of profit of our suppliers in garments, leathers, auto - components, pharmaceuticals and IT services will vary between 6 to 14 percent. Therefore, making our manufacturing sector with low level processes in the Global value Chain through foreign capital is seriously a great loss.

Further, the share of large-scale industries is high in falling Domestic Value Added in exports. Our garments, textile products, leather goods that are associated with Global Value Chain belong to small industry and informal sector. The global production has strengthened the role of middlemen network. Consequently, the conditions of labour will be vulnerable and miserable in export industries that are associated with Global Value Chain. The 'Make in India' could attract foreign investment in electronics industry especially in mobile manufacturing but could get only assembling units. In fact, the transfer of low-level processes in the Global Value Chain to emerging economies owing to the availability of cheap labour and resources is normal part of the exploitative capitalist system for the maximum profits of the monopoly capital. The 'Make in India' is articulated as a strong tool to establish domination of monopoly capital on our manufacturing sector and to accentuate our dependency.

Recent Agreements of our Prime Minister, Modi with US - Foreign Investments:

All the Agreements clearly show the form of 'Make in India'. The Bilateral Defence Agreement with US is done in 2017. For the past few years, India has purchased as high as $ 21 billion worth military systems and plat forms. For this, US extended its support for our membership in the 'Global Export Control regime'.

The main aim of Agreements related to space Sector is to strengthen the commercial collaboration of private sectors of both the Countries in the Value Chain of Space Economy. However, the privatisation of ISRO is on the rise.

The Agreement between General Electric (GE) with our Hindustan Aeronautical Limited is to manufacture GE-F-414 Jet engines in India. In fact, 95 percent of technology lies with General Electric. India will get only Assembly Centre and engine maintenance.

As a result of Agreement related to the innovations in semi - conductor supply chain, the Micro Technology Ink came forward to make investment to the extent of $ 825 million to establish Assembling and Testing plant. This amount will be increased to $ 2.75 billion with the collaboration of government. All this finally brings only Assembling unit. It is expected to generate employment to 5000 workers in coming 5 years. Which shows its high capital intensity. It is interesting to note that Cam Research's proposes to train 60,000 engineers for expected 5000 jobs in 5 years is really a serious contradiction.

India has purchased $ 3 billion worth, 31 General Atomic MQ armed and unarmed drones.

The US Agency for International Development extended its support to our railways in the process of de- carbonization of transport sector to achieve net - zero emission by 2030. It is agreed to electrify transport sector with public - private partnership and to encourage most harmful Nuclear Energy as part of the de - carbonization. Westing Home Electricals Company will construct 6 Nuclear Reactors in India as part of the agreement with our Nuclear Power Corporation of India. In addition, it will develop Kovvada Nuclear Project into Techno-Commercial Project. For all these agreements, US will extend its support for our membership in 'Nuclear Suppliers Group'.

India has accepted to remove all the barriers for the import of technology related to High Computer Technology to enable US to sell these goods in India.

US has invited our Prime Minister with high respect only to purchase their products. Allowing them to sell their products in India with no barriers, to collaborate with foreign investments only to establish assembly units which are lowest in the Global Value Chain. For this, US promises to liberalise the procedures to issue H1B, L1 Visa and to establish US consulate in Benguluru. Our Prime Minister, Modi visited France in 2023 only to purchase Rs 90,000 worth 26 Rafale Jets and submarines. For this, the France permits Indian Tourists to buy tickets to view Eiffel Tower with Indian rupees.

All this clearly shows the ridiculous attitude of dominant Countries towards dependent Countries like India.

Conclusion:

The articulation of 'Make in India' as a powerful tool is to transfer our entire manufacturing Sector to monopoly capital. This process will accentuate the exploitation of oppressed class as it will not talk about the generation of employment. This will make their lives miserable. The self -reliance in manufacturing sector as well as entire economic structures is a necessary condition to ensure decent lives to all. The nation should be emancipated from the imperialist exploitation and from the clutches of Comprador Bourgeoisie governments filled with modern landlords and rural authoritarian forces. This will be possible only with powerful consolidated movements of revolutionary forces.