

WORLD AFFAIRS

Make in India vs. Make in China

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Summary: *The article talks about the growing competition between India and China in the manufacturing sector and the corresponding programmes the two countries have launched to compete against each other. One on hand, there is India, which is hoping to make a mark in the world manufacturing and on the other, there is China, leaving no stone unturned to retain its world supremacy. This article deals with the advantages that India has against China and also the tough competition it is up against.*

In a scintillating ceremony on 25th September 2014, Prime Minister Narendra Modi unveiled the much-awaited 'Make in India' campaign, which aims to turn the country into a global manufacturing hub. Surprisingly on the same day, Chinese president Xi Jinping silently announced the 'Made in China' program, with an aim to retain its manufacturing supremacy.

Though these two initiatives sound akin, they have nothing in common. While India is just beginning to improve its manufacturing sector, China is already in its second phase. It is trying to attract global markets by providing tax incentives and better infrastructure facilities. Tax incentives are their major tool to woo investors. It has adopted a tax policy of 50% tax break on foreign investments and is encouraging its investors through tax deduction on imported high tech machines, to upgrade their technology and increase research and development in order to boost the manufacturing sector.

On the other hand, India does not have much to offer other than high demand and cheap labor. With the crippling infrastructural facilities, inefficient transport system, chronic blackouts and lengthy processes involved in setting up a business, India is likely to

have little appeal to the foreign investors. However, since the past year or so, investor confidence has built up owing to the policies of Prime Minister Narendra Modi, which have popularly been termed as 'Modinomics'. He believes that investors will invest only if the economic environment is growth oriented and the responsibility to create that kind of an environment lies with the government. The new government wants to radically de-bureaucratize offices, cut paperwork and remove legal and infrastructural hurdles to starting a business in India. Currently India stands at a dismal rank of 134 among 183 nations in the World Bank's 'Ease to do Business' Index.

A boost in manufacturing will create wide spread employment and increase the purchasing power of people. It will help create jobs for over 10 million people. The program targets 25 sectors, which includes the principal sectors like automobiles, information technology, electronics, pharmaceuticals, chemicals, railways, defense, tourism and mining. With Asia developing into an outsourcing hub for the world, India will soon enter the league of 'the most preferred manufacturing destinations' of the world. 'Make in India' is the Indian government's effort to harness this world demand and boost the Indian economy.

The announcement of 'Made in China' campaign has set off alarm bells for India. Therefore, the fervor and excitement surrounding the 'Make in India' campaign needs to be justified and validated in the near future and the scheme should be translated into something more than just a populist campaign. China has been pursuing its dream of being a manufacturing giant since 1976. Over the past years, it has made several consistent reforms to enhance its economy and boost the manufacturing sector. Given the simple fact that our markets are flooded with Chinese goods, certainly speaks a lot about their achievement and determination.

For years now, China has been the world's manufacturing powerhouse, leveraging its cheap labor to dominate global trade through increase in exports. But China's traditional advantage of cheap labor is slowly waning off due to increase in labour costs. Also, China has been appreciating its currency by 30% since 2006 due to pressure from the developed world particularly the United States of America. This has definitely taken a toll on its attractiveness as a manufacturing hub as the total manufacturing cost has shot up and is likely to shoot up further in the future.

Herein lies an opportunity for India. We are a country with a strong labor force of approximately 500 million workers including unskilled labourers, scientists, researchers and engineers. According to the US Bureau of Labor Statistics, the average labor cost in India is \$1.46 per hour in contrast to China's \$3.50 per hour. Apart from cheap labor, we have several other advantages such as engineering skills, a steadily growing domestic market and a raw material base.

Manufacturing sector contributes only 15% to India's GDP and the government wants to increase the share to about 25%. Many large companies such as Reliance, Tata motors and Micromax have already started setting up manufacturing plants across India. This is a very positive start to the 'Make in India' campaign. However, India has a long way to go for the road ahead is interminable. Further, many countries that rank higher than India as far as manufacturing is concerned, have better chances of gaining by China's loss. It is fairly apparent that India's window of opportunity is short lived and we must not squander this opportunity. The difference between ordinary and extraordinary is a little extra and to meet up this difference we must soon get our acts together, work harder and one day live the dream of becoming a manufacturing colossal.

“Unless India stands up to the world, no one will respect us. In this world, fear has no place. Only strength respects strength.”

-Dr. A.P.J Abdul Kalam

Can Regionalism Lead to Multilateralism?

Debasmita Padhi- 3rd year

Summary: *The article aims to answer the question: Are regional trade agreements a stepping stone or stumbling blocks in the process of multilateral trade liberalization?*

Introduction

The debate on multilateralism versus regionalism is not new. Some scholars suggest that regional trade agreements are a stepping-stone for multilateral trade liberalization while others who are major proponents of free trade say that it is a stumbling block. This essay tries to establish how RTAs can prove effective in promoting multilateral trade liberalization while examining arguments against it as well. We examine the history of world trade and formation of the GATT briefly before moving on to an analysis of the major research undertaken by international political economists to determine the extent to which regional

trade agreements impact multilateral trade liberalization.

“Effective multilateralism requires some form of regional organization.” RTAs have ceased to be regional and have now become “interregional” in nature.²⁵

Trade in history: An overview

A textbook of international trade would undoubtedly start with Adam Smith's work. Adam Smith's phenomenal book 'An Inquiry into the Nature and Causes of the Wealth of Nations' published in 1776 laid down the basics of what we call classical economics and also advocated free and unrestricted trade policies. He believed that international competition would be much more beneficial to nations than mercantilism.²⁶ Mercantilism was characteristic of 18th century Europe where government used protectionist measures for improving gains from trade.