

## India's New Manufacturing Policy Vital to Create Jobs and Maintain Growth

13 November 2011

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- New manufacturing policy aims to create 100 million jobs and claim 25% of GDP by 2022
- India's growth will falter without large-scale job creation – the service industry alone cannot deliver
- Greater investment in infrastructure, good governance and skills development are needed to make the policy reality
- The Indian government welcomes participation by foreign companies in manufacturing
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**Mumbai, India, 13 November 2011** – Business leaders and senior economists today threw their weight behind India's New Manufacturing Policy, but warned that India's growth will falter without large-scale job creation, during a panel discussion on the first day of the World Economic Forum's India Economic Summit.

"I am very optimistic about this policy," said B. Muthuraman, Vice-Chairman, Tata Steel, and President, Confederation of Indian Industry (CII). "Ten to 12 million new people are joining the job market every year – if you don't have manufacturing, it will be a huge problem." He cautioned that services alone cannot deliver on jobs: "The states need to be convinced that manufacturing is fundamentally important."

In China, every 1% growth in GDP has reduced poverty by 0.8%, explained Rajat M. Nag, Managing Director-General, Asian Development Bank, Manila, whereas in India 1% growth has reduced poverty by only 0.3%. "This is because our growth driver has only been services, not manufacturing," said Nag, adding that India's manufacturing needs to shift from a capital-intensive to a labour-intensive model.

Turning the policy into reality will need investment in infrastructure, good governance and skills development. "If we can't move a box from A to B, nothing will happen," cautioned Rudolf W. Hug, Chairman of the Board of Directors, Panalpina World Transport Holding, Switzerland. Hug complained that India's logistics infrastructure is "overstretched and stalled by high bureaucracy". A truck taking goods from Gurgaon to Mumbai has to pass through 36 checkpoints and takes up to 10 days to arrive. While 57% of goods in India are transported by road – the most inefficient, expensive and emissions-intensive mode of transport – the figure in China is 22%.

All participants agreed on the need for better governance to reduce the "trust deficit". Arun Maira, Member, Planning Commission, India, and a key architect of the manufacturing policy, pointed out that the proposed National Manufacturing Zones will be free to experiment with new forms of governance and collaboration.

Maira also encouraged industry to invest more intensively in skills development. "The only asset that appreciates in value is the human being," he said. "They are part of our competitive difference." While the National Skills Commission will help in this regard, Baba N. Kalyani, Chairman and Managing Director, Bharat Forge, India, argued that the most successful manufacturers have created

their own processes to train a highly skilled workforce. “There is no doubt industry needs to take responsibility; it’s simply not going to happen otherwise.” Nag added that reform of India’s “absolutely archaic and out-of-date labour laws” is equally vital.

Manufacturers can learn from the services industry, said Sander van 't Noordende, Group Chief Executive, Management Consulting, Accenture. “You need to create an inclusive environment where employees can grow, acquire new skills and have fun at work,” he said. Taking a lead from China or Germany, he suggested that Indian industry should commit itself to health and safety, as well as collaborate with government to create “talent pools” that smaller companies can tap into.

Maira pledged that the government would be much more open and inviting to foreign companies looking to invest in the manufacturing sector: “Please manufacture here, train our people here” – an invitation enthusiastically supported by CII’s B. Muthuraman.

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