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“India sets bold goal for manufacturing”

By Peter Marsh in London

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India is on track to meet its target to increase greatly the role of manufacturing in spite of global economic turmoil, according to Ashwani Kumar, minister of state for commerce and industry.

Mr Kumar said in London he hoped India's manufacturing output would expand by 9-10 per cent this year, slightly less than the comparable figure of 11.4 per cent in 2007. He expected overall gross domestic product to grow at a slightly slower rate this year than the narrower area of manufacturing output, at about 8 per cent.

This projection conforms with the Indian government's plan to push manufacturing production to more than 25 per cent of the overall economy by 2017, from 16-17 per cent now.

“Manufacturing has failed to participate as fully as I would have liked in the growth of the Indian economy over the past few years,” said Mr Kumar.

The government hopes to entice multinational and local companies to participate in a series of state-backed initiatives, including a plan to build a Mumbai-New Delhi “manufacturing corridor” that would involve high-tech factories in a series of industrial parks between the cities linked by new rail and road routes.

In addition, New Delhi wants to set up a series of special industrial zones around the country where companies would be given incentives to start operations, especially in

fields such as petrochemicals, textiles, leather goods, food processing and electronics.

Mr Kumar hopes the signs of a broad economic slowdown – linked to the credit crunch and difficulties in the banking sector – will have a limited impact.

“I cannot pretend that India will be unaffected by the economic difficulties that are appearing, for instance, in the US,” he said.

“But the biggest factor affecting the Indian economy is the state of domestic demand and this is holding up. Also, exports are being helped by the recent softening of the rupee, which is another factor that should help manufacturers.”

Some economists have aired doubts about India’s ability to meet its goal since it goes against the trend in many countries for manufacturing to shrink as a percentage of the economy while the value of services goes up.

But the fact that many big companies regard India as a promising place to invest – for its latent domestic market in many fields, from cars to home computers – has convinced New Delhi the goal can be reached.

To support its ambition, the government plans state infrastructure projects to facilitate the movement of goods and components.

“I envisage the total investment on industrial programmes and social and physical infrastructure projects in India by 2017 coming to about \$1,500bn [€950bn, £760bn], with the bulk of this coming from the private sector,” said Mr Kumar.

Some of the spending would be aimed at increasing the supply of skilled people to work in industry. “In India we have so many unemployed people but also face a big shortage of the correct calibre of skilled people that we need for the 21st century,” he said.

Assuming the government can succeed with its plan, Mr Kumar hopes “tens of millions” of jobs can be created, so helping to deal with the endemic problems of unemployment and underemployment. Economic surveys suggest India’s manufacturing industry employs 60m people, slightly more than 5 per cent of a total population of about 1bn.
