

Advantage India - *In the Disadvantaged World*

A.V. Sekhar

Associate Professor & Program Head, Economics Department, Dr. MGR Educational & Research Institute, (Deemed University), Maduravoyal, Chennai-600095, India; E-mail: [sekharav.hmct\[at\]drmgrdu.ac.in](mailto:sekharav.hmct[at]drmgrdu.ac.in)

Abstract: *The decision by the centre recently took the amendment route to modify the Public procurement policy which goes to benefit India by bringing in meaningful procurement principles that would only help economy of the country grow.*

Keywords: Public Procurement policy, imports, exports

Amendment to Public Procurement Policy

The amendment to Public procurement policy that the Government of India brought into force has been, in fact, a well thought out action, as it shuts its door to the countries who do not import anything from India but only export into India. The decision to effect amendment would indirectly strengthen the “Make-in-India” policy, which had started tasting its significant success. Stopping imports from the countries, which do not import anything from India would pave way for boosting manufacturing activity significantly within the country, as was experienced in the case of mobile handsets and the components manufacture, which was “worth Rs 1.65 lakh crore with about 290 million units by March 2019, while imports came down to around 5-7%”.

Ref: 01 & Ref: 02

Captive demand will keep us busy

Growing manufacturing activity including assembling and services (as a sequel to the amendment effected) with the use of components should result in a big spurt in employment opportunities with more new entrepreneurs also emerging into the field pushing the economy forward. Existing MSMEs would be in for growth and the likelihood of new MSMEs entering into the activities is bright. The decision to amend would also be a rebuff for the unfriendly countries that look at India as competing with them in Asia. Further, the thinking of the Government now that strong economy in India is not possible without being strong in its defense/security seems to push it to take tough decisions to increase defense spending, aiming to be better prepared to engage into a war too, if the need arises, though talks are ever considered for peace to prevail. Growth in defense purchases and the estimated future defense requirements, and more importantly reckoning Private sector to manufacture and assemble defense equipment should go to expand the activity to a new high. One glaringly important thing to be noted here is that, at least for the next decade or so, there would not be a demand-shortage, as the captive demand for the country’s own consumption will keep us busy. The situation said is excluding the demand from some of the friendly neighbourhood countries, who would be too willing to buy from India, for their defense needs and hence the order book would only show the graph moving up.

Advantage India

Covid-19 pulled down the economy of the entire world and it also exposed more of the weaknesses of the countries and the possibilities of varying resilience levels and the time

needed for them to return to normalcy. For some of the developed & developing countries it turned out to be the right time for restructuring their positions in the post-Covid world. It is therefore that the amendment to public policy of procurement in India, apart from invigorating manufacturing, distribution and consumption, is enabling the country to peep into the requirements of the neighboring countries resulting in export possibilities (beyond meeting its own needs) for increased foreign exchange earnings, Covid-19 could also be seen, therefore, as an agent for providing a clarity on the strengths and weaknesses of different countries. India too is making its task clear to position itself in the current world scenario. It is now “Advantage India” in the disadvantaged world, which is still to recover from Covid-19, the pangs of which are still not under control.

Benefits of the products important - beyond just cosmetic features

At this juncture, India has taken another remarkable policy stance and decision which stipulates that the countries which are exporting into India should have value-added in the content in their own country at least 35% level on what they export to India. This is a strong signal from India to those countries endowed with the power of money, which only do trading, leveraging their exclusive strengths on very restricted number of products that emanate from their own countries. The 35% of value addition required would turn away those countries engaged in doing some cosmetic changes by way of Grading of products and attractive packaging, as such acts would fall short of the limit of 35%. For attaining 35% value addition to become eligible to export into India, they should get into the level of the actual product and its features to raise the level of benefits of the products rather than just augmenting cosmetic features.

It can be therefore concluded to state that both the decisions which took the amendment route to modify the Public procurement policy go to benefit India by bringing in meaningful procurement principles that would only help economy of the country grow.

References

- [1] Ref: 01
<https://taxguru.in/corporate-law/amendments-public-procurement-preference-india-order-2017.html>
- [2] Ref: 02

https://www.business-standard.com/article/companies/mobile-handset-production-in-india-to-be-worth-rs-1-65-trn-by-2019-icea-118082200763_1.html