



## Enhancing The Competitive Spirit of India

*This editorial is based on [“Is It Time for India to go for Competitiveness Legislation”](#) which was published in Livemint on 01/06/2022. It talks about the challenges to enhancing India’s competitiveness and the measures that India can take to improve its Competitiveness.*

**For Prelims:** World Competitiveness Index 2021, Global Innovation Index (GII) 2021, Atma Nirbhar Bharat, PLI Scheme, 6G Technology, FTAs, Fourth Industrial Revolution

**For Mains:** India’s performance at international indices on competitiveness and innovation indices, Challenges to enhancing India’s competitiveness, Measures India can adopt to improve its competitiveness.

India has been on a steady path of reforms for its economy to achieve better competitiveness. Economic reforms including digital growth, trade policy reforms and a mix of inward and outward looking measures have been brought with the agenda of alleviating poverty and creating better jobs and enhancing India’s competitiveness at the global level.

However, there still exist several impediments to developing India’s competitiveness such as the underdeveloped manufacturing sector, impact of Covid-19, technological and infrastructural challenges.

### What is the Growth Story of India’s Competitiveness?

- According to the **World Competitiveness Yearbook (WCY)**, [India maintained 43rd rank](#) on the annual World Competitiveness Index.
  - Among the [BRICS nations](#), **India ranked second after China** followed by Russia, Brazil and South Africa.
  - India’s **strengths lie in investments in telecoms**, mobile telephone costs, **ICT services exports**, **remuneration in services professions** and **terms of trade index**.
- [In the Global Innovation Index \(GII\) 2021](#), India climbed two spots and has been ranked 46th.
  - India has been on an **upward trajectory over the past few years** in the GI.
  - India **performs better in innovation outputs** than innovation inputs in 2021.
  - India **ranks 1st among the 10 economies in Central and Southern Asia**.
- India has made appreciable efforts to **ensure resilience in manufacturing capacity** such as via [Atmanirbhar Bharat](#) and **Make in India** initiatives which are aimed at domestic supply chains and heavy investment in manufacturing hubs.
  - The government has introduced the [Production-Linked Incentive \(PLI\) Scheme](#) in various sectors for enhancing India’s manufacturing capabilities and exports.
- To facilitate technological advancement for increasing competitiveness, India’s Department of Telecom (DoT) has constituted **six task forces on 6G technology**.
  - The Ministry of External Affairs, through its **NEST division** is also ensuring India’s **active**

**participation in international forums on technology governance.**

### **New and Emerging Strategic Technologies (NEST)**

- In 2020, the **Ministry of External Affairs** established a New, Emerging And Strategic Technologies (NEST) division.
- It acts as the **nodal division within the ministry** for **issues pertaining to new and emerging technologies** and assists in collaboration with foreign partners in the field of technology.
- Its mandate includes, but is not be limited to, **evolving India's external technology** policy in coordination with domestic stakeholders and in line with India's developmental priorities and national security goals.
  - It will also help **assess foreign policy and international legal implications** of new and emerging technologies and technology-based resources, and recommend appropriate foreign policy choices.
- NEST also negotiates technology governance rules, standards and architecture, suited to India's conditions, in multilateral and plurilateral frameworks.

### **What are the Challenges to Enhancing India's Competitiveness?**

- **Challenges in Export Competitiveness:** Some of the drawbacks obstructing export preparedness in many states are **poor trade support, gaps in export infrastructure, basic trade support, lack of access to financial facilities and low export** credit.
- **Insufficient R&D:** There is a lot of room for improvement in research & development (R&D) infrastructure across the country. The **regional disparities in terms of R&D infrastructure** are high in India.
  - In the context of the **evolving nature of globalisation** that is likely to reward high-quality products and innovation more than ever before, **India's cost competitiveness may not be sufficient** to establish itself in the global economy.
    - Gradual improvement in R&D would be greatly rewarding in the long run.
- **Inadequate infrastructure:** Infrastructure remains India's weakest link. Infrastructure extends to multiple sectors such as **power, communication, water, and waste**. But for international trade, it is transport infrastructure that is the most important.
  - India's under-developed transport infrastructure poses many problems to exporters, chief of which are:
    - **Congested ports**
    - **Congested roads**
    - **Lack of connectivity**
    - **Outdated rail equipment**
- **Underdeveloped Manufacturing Sector:** While the neighbouring as well as competitor nation China is currently in the midst of a 10-year transformational campaign - '**Made in China 2025**' to move the country beyond labour-intensive manufacturing and into cutting-edge sectors like robotics and aerospace, India in contrast is still aiming to bring **old-school, labour-intensive manufacturing** to an economy that desperately needs to create millions of new jobs.
  - Even this low-end goal has been hit by a faltering economy over the last two years.
- **Lesser Technological Understanding:** Smaller, local businesses are often **hesitant in adopting digital solutions** due to **limited understanding and inadequate training**.
  - The emergence of new technologies of the [Fourth Industrial Revolution](#) (AI, Data Analytics, Robotics and related technologies) is a **bigger challenge for MSMEs than for organised large-scale manufacturing**.

### **What should India do to Improve its Competitiveness?**

- **Policy Intervention:** One of the essential pillars for raising India's competitiveness is the **need for a 'whole of government' approach**, within the Centre, and with and among states.
  - It is time for India to **consider a law and an institution** which can **persuade all organisations to pursue competitiveness**.

- A **robust institutional structure** is essential for achieving business competitiveness, capacity building and supply chain resilience.
- It is also a **prerequisite for negotiating [free trade agreements \(FTAs\)](#)**, which are crucial for the growth of the Indian economy.
- The **creation of a National Competitiveness Commission** under a new law could provide a robust forum for policy dialogue to energise and sustain the growth of Indian manufacturing industries; empowered adequately.
- **Investment in Intangible Assets:** India needs better and higher investment in intangible assets such as **health and education**, accompanied by **‘future friendly’ skills building**.
  - These issues are to be worked upon by **states in partnership with the Central government**, insofar as policies and funding is concerned.
    - However, one size doesn’t fit all so the **states must be given the opportunity to devise their own strategies**.
  - The potential of promoting **peoples-first public-private partnerships** should be leveraged to **raise funding to cover health, jobs and skills**, and ensure efficient **implementation in consultation with all stakeholders**.
- **Focus on FTAs:** The FTAs help the industries participate in global supply chains. Intra- and inter-sectoral firm-level cooperation and participation must be encouraged.
  - The FTAs should also **complement PLI schemes** so that the products whose manufacturing is incentivized domestically can compete at a global level.
- **Focus on R&D:** In the post-Covid world, India needs to create its own niche in the global market. Thus, it is essential to tap into the capabilities of Indian states by plugging in the gaps in policy and infrastructure.
  - At the same time, it is also necessary that the **more developed states expand their focus towards improving R&D infrastructure**, with the view to create that niche.
  - It is because R&D plays a significant role in improving the quality of products to match up to the international standards, and enables greater innovation.

## Where does India need to Specifically Focus?

- **[Semiconductors](#)** have taken the centre stage in this context. Experts have hypothesised that **oil has been replaced by semiconductors (and digitization) in shaping geoeconomics and geopolitics**.
  - With supply chain disruptions triggered by covid, **export controls by China** and the **Russia-Ukraine conflict**, **building a semiconductor manufacturing base** is imperative for India.
- Other key areas include information and communication technology (ICT).
  - To enhance its competitiveness, India must **leverage advanced technologies such as 6G, Internet of Things and blockchain**. This will also help anchor our position in FTA negotiations.
- There is a need to **reduce tax burden**, especially on the MSME sector to improve their profitability. More **support to enhance the skills of the workers** is needed from the government.
- Action is also needed on **non-tariff factors**; incentivize innovation, strengthen the **intellectual property regime**, reduce logistical costs and ease the running of a business.

### ***Drishti Mains Question***

“Despite the introduction of several economic reforms, the competitive spirit of India is often suppressed by the issues of the underdeveloped manufacturing sector, lack of research & development, infrastructural challenges and limited technological knowledge.” Comment.

## **UPSC Civil Services Examination, Previous Year Questions (PYQs)**

**Q. The Global Competitiveness Report is published by the (2019)**

(a) International Monetary Fund

(b) United Nations Conference on Trade and Development

(c) World Economic Forum

(d) World Bank

**Ans: (c)**

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