The Slogan of “Make in India”*

Prabhat Patnaik

At first sight the “Make in India” campaign appears innocuous, a pipe-dream perhaps but a rather harmless one. If the world’s big companies come to “make” things in India for selling all over the world, which is the thrust of the “Make in India” campaign of the Modi government, then what is wrong with it? As long as “Make in India” does not cause any domestic “deindustrialization” and hence unemployment, such as would ensue if these companies were producing for the Indian market (or even for the world market), at the expense of other, smaller, domestic producers who generate larger employment per unit of output, i.e. as long as there is a net addition to the level of domestic activity, why should anyone object to it? All one can insist on is that such “deindustrialization” does not occur; but beyond that there is nothing to cavil at in the “Make in India” campaign.

This however is a false impression. Multinational corporations’ locating their plants in third world countries does not mean that control over their technology and production decisions shifts to these countries; it continues to remain with the headquarters located in the metropolis. Technology, Research and Development, and innovations, continue to remain in the domain of the parent company; and even production and investment decisions of the off-shoots located in the third world have to conform to the global strategy of the MNC, and hence are controlled from the metropolis. Their locating more and more such plants in third world countries therefore necessarily means that larger and larger segments of the third world economy come under the control of metropolitan decision making, which amounts to a growing loss of economic sovereignty.

In any case, the opening of the economy to the vortex of global financial flows already means that the third world State perforce has to accede systematically to the demands of international finance capital in order to prevent capital flight, i.e. that its autonomy in decision-making is compromised. But if, additionally, a growing segment of the economy is also dominated by multinational corporations, which in turn are controlled from the metropolis, then this autonomy is further attenuated. The State in such a case is always compelled to ensure that nothing happens to jeopardize the interests of these corporations, for otherwise the system of production would be undermined; and this means that we have in effect a replication of the colonial times when the colonial State basically looked after the interests of foreign capital. Or, to use a different analogy, the sphere of production increasingly becomes characterized by an “extra-territoriality” such as what the foreign powers in pre-revolutionary China had enjoyed (of which the SEZs are in any case a reminder of sorts).

But that is not all. The reason for MNCs locating plants in the third world is the low wage rates in the latter, and this reason is of relevance only in the case of industries where the magnitude of the labour input is significant; otherwise the advantage of so locating plants would not outweigh the disadvantage of venturing into a foreign country, despite even the benefits of “extra-territoriality”. It follows therefore that only certain activities are located in the third world, typically the lower-end manufacturing activities which are more labour-intensive and less technology and capital-intensive.

This means that all third world countries seeking such FDI location are really running after only a certain limited amount of investment, and are ruthlessly competing against one another for attracting this limited amount of investment onto their soil. There is necessarily therefore a “race to the bottom”, in which each country competes with others in lowering wages, “disciplining” the workers, taking away workers’ rights, dismantling trade unions and introducing “labour market flexibility” (which entails the untrammelled right of employers to hire and fire workers at will). The “Make in India” campaign is not just an invitation to make things in India; it is an invitation to “make” things in India as opposed to in other countries. And it is a campaign that is or will be matched by similar campaigns in other countries. It necessarily entails therefore an attack on workers as part of a competitive bid to lure capital.

Luring MNCs however does not merely take the form of dangling economic carrots, in the shape of lower wages and “disciplined” workers, before them. From the MNCs’ point of view it is not very attractive setting up plants in a country where, even if the workers have been cowed down, political parties or “civil society groups” regularly organize demonstrations against them, where there are regular litigations against their malpractices, and where the press regularly highlights their shenanigans; they would much rather locate plants in a country where it is not just the workers, but the media, the intellectuals and the political parties have all been cowed down. In short they would much rather locate plants in countries with authoritarian regimes. Stifling democratic rights in the name of “development” therefore becomes an integral part of “Make in India”-type strategies. And here too the same “race to the bottom” operates. Third world countries vie with one another in the name of “development” not just to browbeat workers but to suppress democratic rights in general.

But, it may be asked, if the result of such a programme is to have larger growth and hence larger employment and amelioration of poverty, then what is the harm in paying a price for it in the form of a suppression of workers’ rights, or even, to an extent, of general democratic rights? The abominable attitude behind a question like this is self-evident: instead of devising a development strategy that is in keeping with the ethos of a democratic society where workers and others enjoy certain basic democratic rights, it actually asks for a sacrifice of such rights in the name of “development”. But this abominable attitude is justified by a spurious logic, by a pretence that there are no other choices before the people, i.e. by taking it for granted that neo-liberal capitalism is the only fate that the people can possibly have.

There is however a further point here. In the context of the world capitalist crisis, where total investments have dwindled in any case because of the existence of pervasive unutilized production capacity, even the fact of dangling carrots before MNCs will not succeed in attracting much investment for “making” things in India. In other words, while the workers’ rights will be suppressed in the name of attracting foreign capital to “make” things in India, not much foreign capital will actually come, so that the promised increase in employment and the promised reduction in poverty will not even materialize.

We have seen above that only certain activities are re-located from the metropolis to the third world; the scope for any further investment in the periphery for locating other activities is small. But in a situation of virtual stagnation in the world economy, any net investment in expanding productive capacity in any set of activities, whether those re-located or those not re-located, is altogether small. Hence with negligible investment coming to the third world, the possibility of a programme like "Make in India" giving rise to a boom is non-existent. The repression of the working class, and the creation of a "conducive" atmosphere for the MNCs by taking away workers' rights and abrogating even general democratic rights, while doing massive damage to our society and polity and to the living standards of the working people, will not even give rise to any additional job creation. On the contrary, since the squeeze on the workers' wages will reduce the size of the home market and hence the output produced for it, there will actually be a reduction of employment.

The standard argument that a worsening of the conditions of the workers will be compensated by an increase in employment and a reduction in poverty therefore does not hold. The argument for squeezing the workers to induce MNCs to "make in India" represents not only an abominable attitude, but also bad economics. "Make in India" is thus not an innocuous slogan; it is a potentially dangerous one.

The only way that the manufacturing sector can expand and employment generated in the economy, is by enlarging the home market, since the export market is hit by the world capitalist crisis. This requires putting more purchasing power in the hands of the working population through larger welfare expenditure, larger expenditure on employment guarantee schemes like the MGNREGS and larger public expenditure on irrigation and on reviving agriculture. And if such an agenda is frowned upon by international capital, then this hostility of international capital has to be nullified by appropriate capital controls.

All this however runs contrary to the thrust of the "Make in India" campaign. But if the NDA could proceed along this alternative route then it would not be the reactionary authoritarian outfit it is; true to form, it has embarked on a "Make in India" campaign whose potential thrust is precisely in the direction of constricting democracy and squeezing the working people through lower wages and even lower employment.

* **This article was originally published in the People's Democracy, Vol. XXXIX No. 44, November 8, 2015.**