

Outlook

7.81 The outlook for industrial growth in India vitally depends on the evolution of the economic policy framework. India has undeniably emerged as a success in the export of services, based on India's strengths in higher education and access to low cost manpower. In 2002-03, many encouraging signs of success in manufacturing exports are visible. A strong surge of export-led growth in labour-intensive manufacturing could come about if key policy ingredients are put into place.

7.82 At the start of the reforms process, there were many concerns about the ability of Indian firms, which had become highly adapted to traditional industrial policy and protectionism, to operate in a competitive environment without trade barriers or entry barriers. For many years, it appeared that Indian firms would face serious difficulties in

making this transition. This chapter has highlighted numerous areas where Indian firms have successfully globalised themselves, and embedded themselves into performing labour-intensive functions in global production chains. The success in obtaining growth of manufacturing exports in recent years, and in creating a new breed of firms that are able to successfully operate in international markets, marks an important new phase in India's growth process.

7.83 The six key elements of industrial policy which will foster productivity and industrial growth are : (a) continued progress on infrastructure, (b) movement towards low and uniform customs tariffs, (c) the move to VAT, (d) reform of labour laws, (e) elimination of small scale sector reservations, and (f) a framework for swift resolution of failure, including rapid winding up of failed companies, and sound enforcement of creditors rights.