

## INDIA'S 'VOCAL FOR LOCAL': A BUZZ WORD DURING COVID 19 PANDEMIC

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### ABSTRACT

*'Vocal for Local' became the Covid 19 pandemic time buzz word for India. This article analyses what does vocal to local connote? Why India adopted this strategy during Covid 19 pandemic? What are the implications of this strategy? Prior to 1991 LPG policy, India has adopted protectionist policies probably due to its experience with East India Company and several invasions. Protectionist policies of India weakened the country's economy and India had to liberate its economy from the shackles of protectionism. India had to further liberate its economy after GATT became WTO and the subsequent developments in the Uruguay round. After India started witnessing positive balance of payments, only due to the capital account, India had to reduce its import tariffs considerably paving the way to huge imports into the country. India is indeed satisfied with its progress looking at its growth figures as it has always witnessed low growth prior to 1991. As India was growing it became complacent with its growth and employment it could generate. In the process it either failed the MSME sector or contributed to the low growth of the MSME sector. As imports especially the ones that don't require technical expertise or the low tech imports which the country's MSME is capable of manufacturing lost its competitive advantage to low cost imports of China. There arises a question, did the government fail in making the MSME sector competitive by being complacent with its growth and employment generation. The employment generated in this country is mostly related to value addition in supply chain activities not through value addition in manufacturing. When we keep on importing finished products, we cannot generate employment through value addition in manufacturing. Why China wasn't affected by Covid 19 pandemic the way India is affected? Is it because China was a global supplier, hardly its economy got affected? At the same time, is India a global buyer? India's vocal for local strategy pitches for local manufacturing, whether the manufacturer may be local producer or a foreign producer in India, there would be no discrimination in treatment. One way India is encouraging MNCs to manufacture in India and is promoting glocalization policy which may be a balanced approach between protectionism and globalization. Vocal for local strategy promotes both localization and glocalization, imbibes a culture among the people in the country to buy and promote local products.*

**Keywords:** Atmanirbhar Bharat, Glocalization, MSME Sector, Polycentric Approach Vocal for Local.

### Introduction

#### Vocal For Local

In the mid of May 2020, Prime Minister Narendra Modi called for 'Vocal for Local'. It meant that India has geared up to encourage local production whether it may be manufacturing by Indian companies or MNCs with no distinction among them. Anything that is produced in India would be considered local. In this direction, it directed all canteens of the Central Armed Police Forces to sell indigenous products from 1<sup>st</sup> June 2020<sup>1</sup>.

#### Why Vocal for Local became a buzz word during Covid 19 Pandemic?

- **Covid 19 pandemic has brought in new world order that moved global economies towards protectionist policies**

Covid19 pandemic hit global economies and global markets badly. The global economy was thrown into recession following Covid 19 pandemic. The International Monetary Fund estimated that the global economy may grow at -3 per cent in 2020, an outcome "far worse" than the 2009 global financial crisis<sup>2</sup>. IMF predicted that India's GDP will contract by 4.5 percent in March 2020 and in June 2020 it predicted a growth of 2%. India is seeing its worst after 1979<sup>3</sup>.

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Among various changes brought by countries is the change in FDI policy. Many global economies have brought FDI policy changes in their countries to steer clear of any threat that they would encounter from economies that make opportunistic takeovers in light of weakening of economies, in terms of falling stock markets, hence falling share prices that has brought down the asset value of companies, making them more vulnerable to takeovers. India, Australia, EU, Spain, Italy, Germany have brought changes in the FDI policy during Covid 19 pandemic and USA and UK initiated changes to their FDI policy prior to Covid 19 pandemic itself<sup>4</sup>.

American job losses were estimated at 41 million following Covid 19 pandemic<sup>5</sup>. President Donald J. Trump has quoted, 'We have a moral duty to create an immigration system that protects the lives and jobs of our citizens'. He extended and expanded the suspension of H-1B visas till December 2020 to ensure American workers are given first priority for jobs in the USA during Covid 19 pandemic<sup>6</sup>.

- **A desire of the ruling party to implement its ideology when the window of opportunity opens**

USA President Donald Trump has embraced the populist message, "America First" during his 2016 campaign trail that won him election for President. While addressing the UN gathering in the last week of September 2019, he reiterated that the future belongs to sovereign and independent nations, who protect their citizens, respect their neighbors and honor the differences that make each country special and unique,"<sup>7</sup>. Even Prime Minister Modi launched an ambitious program, 'Make in India' in September 2014 as soon as he came to power that didn't takeoff to the extent expected.

Even Prime Minister Modi remarked that the self reliance advocated shouldn't be treated as being self centered. The progress achieved through self reliance by India should contribute to the progress of the whole world as Indian culture considers the world as one family. Even he felt that world trusts India to contribute towards the development of the entire humanity<sup>8</sup>. Swadeshi has always been the ideology of BJP and its ideological patron Rashtriya Swayamsewak Sangh (RSS). It gained prominence during the government of BJP Prime Minister, Atal Behari Vajpayee<sup>9</sup> and came into focus through, 'Make in India' and 'Vocal for Local'.

1991 economic reforms were initiated with an objective to allow foreign investment in the sectors where India doesn't have the prowess to develop such technology along with foreign capital. The then Prime Minister P. V. Narasimha Rao was not happy with foreign investment flowing into potato chips apart from computer chips. Indian government was complacent with growth and employment generated with foreign investment in sectors where the domestic industry was capable of performing.

- **Covid 19 pandemic has made countries to realize the importance of local supply chains as countries couldn't connect globally with regard to supply chains:**

Covid 19 pandemic has forced countries to close off their borders to contain the spread of the virus. Countries have restricted the flow of goods and people, thereby exerting debilitating pressures on global supply chains, giving rise to volatile demand fluctuations and supply-side problems<sup>10</sup>. To absorb the shocks from global supply chains due to these kind of crises, local supply chains have to be developed. This would inevitably support the strategy Vocal for Local. During Covid 19 pandemic, it was the domestic industry and locals that came to the rescue of the country. Covid 19 crisis has underlined the importance of local manufacturing, local market and local supply chains. A crisis of this kind made us understand that domestic manufacturing and supply is more accessible vis-à-vis foreign supplies<sup>11</sup>.

- **New opportunities in the world markets especially in pharma and health, research:**

Prior to Covid 19 pandemic the world was not really concerned with the mass production of PPE kits and N-95 masks. During this crisis, there was a dire need for PPE kits and N-95 masks whose production in India has gone up from almost being negligible to 2 lakh each on a daily basis.

India has been using imported testing kits for corona virus testing. Many states of India were not satisfied with the quality of the testing kits with respect to their accuracy in testing<sup>12</sup>. Domestic industry geared up to cater to the requirements of quality test kits in India. MylabDiscovery Solutions along with Serum Institute of India (SII) Ltd. has increased its manufacturing capacity from 20,000 Covid-19 tests a day in early April to 200,000 subsequently. Some more local companies got approval from Central Drugs Standard Control Organisation (CDSCO) to manufacture test kits complying with Indian Council of Medical Research's (ICMR) benchmark<sup>13</sup>. This is how local industry came to the rescue of the country.

Covid 19 pandemic has brought in opportunities in the Indian health care sector. There was huge demand for India's anti-malaria drug hydroxychloroquine (HCQ) and paracetamol, as these drugs are used for corona virus treatment. India accounts for 70 percent of world's hydroxychloroquine. India exported hydroxychloroquine drug to 97 countries during Covid 19 pandemic<sup>14</sup>. This is how local industry came to the rescue of the world.

- **'Make in India' failed to take off as expected**

'Make in India' was an ambitious program launched by the government of India in September 2014 to make India a global manufacturing hub. The program focused on the development of 25 sectors, aimed at a growth rate of 12 to 14% in the manufacturing sector and to create 100 million additional jobs by 2022. Make in India couldn't take off as anticipated as it was considered to have aimed at, a too ambitious growth target, brought too many sectors into focus and was ill timed<sup>15</sup>. So, it may be presumed that 'Vocal for Local' might be an extended version of 'Make in India'.

- **Vocal For Local paves the way to make use of local capabilities and capacities**

It expresses the mindset of the government to exploit the local talent, capabilities and capacities that were not exploited to its fullest potential. Though Vocal for Local was timed at the time of crisis, it was aimed to become a long time strategy for India. 1991 economic reforms were aimed at liberalization, privatization and globalization with certain restrictions. For instance, the then government allowed FDI to the extent of 51% with technological backup from the investor. Over a period of time economic reforms of 1991 have gone towards a free LPG regime strictly complying with the provisions of WTO, where every member country of WTO had to provide access to Imports and Foreign Investments. In the process local capabilities and capacities were developed, but they faced huge competition domestically. 1991 economic reforms were a perfect match when our local capabilities and capacities were not developed. Now, we have local talent, local capabilities and local capacities which remain redundant. So, a policy which can explore the local talent, local capabilities and local capacities is the need of the hour and that has taken the shape of Vocal For Local.

As per the HRD ministry's internal report, by 2020, India is going to have 116 million workers in the age group of 20-24 years vis-à-vis 94 million in China. The average age in India by 2020 will be 29 years while in many developed countries it would be in the 40s. The draft National Education Policy also mentions that "the demographic dividend that India have is expected to last for only a little over 20 years and there is a need to equip children and youth with the knowledge and skills that would enable them to contribute to India's social, economic, and political transformation. The HRD ministry has underlined the need to productively engage this demographic dividend so as to prevent socio-economic complications arising out of a large unemployable youth<sup>16</sup>.

#### **Implications of Vocal for Local**

- **Country can become self reliant:**

Especially during Covid 19 pandemic, Indian businesses could prove that they are capable of meeting the demand and supply requirements of the country. Indian industry could produce N95 masks, testing kits and Hydroxychloroquine within no time to meet the requirements of the domestic market and also the globe. Even the local supply chains became active during Covid 19 pandemic. The same thing may be expected in some more sector in the future with the call for Vocal for Local.

- **Government and industry would make concerted efforts to promote local industry**

Once Vocal for Local becomes the ideology of the country, the mindset of the government, people and industry would be focused on achieving this objective. Atmanirbhar Bharat i.e., self reliant India is focused on five pillars namely economy, infrastructure, system based on latest technology, vibrant demography and demand & supply chain. The government of India announced a Rs 20 lakh crore special economic package which is equal to 10% of India's GDP to various sections including cottage industry, MSMEs, labourers, middle class, industries, among others<sup>17</sup>.

- **MSME Sector would be strengthened**

One of the outcomes of economic reforms 1991 was, though there was growth, it was not a job oriented growth. The jobs that were created were of a poor quality. It was also reported that growth was not reported in the labour intensive sectors. MSME sector is predominantly labour intensive in its production<sup>18</sup>. A call for Vocal for Local may aim at the growth of MSME sector which in turn may play an important role in growth and employment generation of the country.

Chinese imports heavily damaged the micro, small and medium enterprises (MSMEs) of India. This in turn has heavily affected employment-generation potential of the labour intensive manufacturing sector in areas of textile, steel and power. Many MSMEs in the stainless steel grades of the 200 series have closed down. It was alleged that China resorts to illegitimate, protectionist and unfair trade practices that damages the local industries badly. It was observed that anti dumping duties of India are in no way equivalent to the dumping practices resorted to by China. Closing down of industrial units in the MSME sector would have cascading effects on tax collection and the non-performing assets (NPAs) of banks that have lent to MSME sector<sup>19</sup>. Vocal for Local may aim at strengthening the MSME sector that is capable of producing low tech products.

- **MNCs will adopt polycentric approach**

Though Vocal For Local is focused on self reliance, it seems to be making no discrimination between an Indian producer and local producer in India. With relations being strained with China, a campaign to boycott Chinese products is underway. Even India has notified that every product should carry the country of origin label. So, Xiaomi in India is making every effort to be branded as a local company and has started being vocal about its polycentric (local) approach. Polycentric approach is a strategy adopted by MNCs wherein they become more localized i.e., they become glocalised. By doing so, they adapt the product to tune to the requirements of the host country people. They employ local people and set up their R&D base in the host country. Xiaomi is a number one smart phone brand in India with 31.2% market share. Its other products smart television MiTV and laptop Mi Notebook became popular in India. Meanwhile, Xiaomi's India head Manu Jain has become very vocal promoting Xiaomi's 'Made in India' stance through media interviews and social media postings. He says that they are more Indianised recruiting 50,000 people and with a R&D centre in India apart from paying taxes and making investments<sup>20</sup>.

- **Trade deficit could be reduced:**

India never had a surplus current account that is, a surplus trade account. The Confederation of All India Traders (CAIT) that comprises 60 million merchants across the country have taken to a new campaign, 'Indian Goods – Our Pride' following Vocal for Local and boycott of Chinese products. A list of 500 broad categories and 3,000 products worth \$13 billion were finalized to be manufactured by the local industry by December 2021<sup>21</sup>. India's trade deficit with China is at \$63 billion in 2017-18, \$53.56 billion in 2018-19 and \$48.66 billion in 2019-20<sup>22</sup>. China being India's major trading partner, any concerted effort towards local manufacturing would narrow the trade deficit, enhance domestic manufacturing and increase employment.

- **India imports a lot of raw materials and finished goods at competitive prices. Local industry and consumers would be deprived of the same:**

The call for boycott on Chinese goods is considered to be a blow on garment exporters as observed by an exporter from Tirupur. Garment exporters import 90% of their accessories at competitive prices from China whereas the same are available at higher prices in India. Tirupur employs more than 6 lakh workers and exports Rs.25,000 crore worth knitwear for global brands and Rs.25,000 crore for domestic markets. They suggested that the government should promote domestic production by giving fiscal incentives to local manufacturers or look for alternative supply sources like Vietnam, Taiwan, Thailand and Turkey. They feel China is unbeatable but not impossible when it comes to supplying price competitive and qualitative accessories<sup>23</sup>. To beat China, a planned approach is required.

- **The Vocal for Local call reinforced the boycott call of Chinese goods that affected local traders who have stocked Chinese goods:**

Following a war like situation at the Indo Chinese border and the killing of 20 Indian soldiers on 15<sup>th</sup> June, a boycott call was given in India for banning various goods of China. Traders all over the country who have stocked Chinese products are finding it difficult to get over the existing stock. Most of the traders though justified the public mood, but some wondered whether the Government of India can ensure assured supply of similar products of Indian-make or from other countries at same prices. They opine that the high taxation in India places these products out of the reach of the common man<sup>24</sup>.

- **It takes time for the locals to produce locally at competitive prices**

Boycotting Chinese products is a patriotic act that may be short lived once things come to normal. Even Vocal for Local is called for under abnormal conditions that prevailed due to Covid 19 Pandemic. Though they are rightly timed, it requires a quick effort by the government to deliver the desired outcomes. Already India was hit with stagnant global supply chains during Covid 19 pandemic, a delay in creating local supply chains would further slow down economic activity in the country. The more the gestation period to takeoff, more would it slow down the economy<sup>25</sup>.

- **India currently is a China dependent economy**

Economic relations with China are purely based on economics of low cost. In the course of time not only India, the world became too dependent on China. Big Chinese investors like Alibaba have billions worth of stakes in many startups like Paytm. Alibaba, Big Basket, e-commerce company Snapdeal, food delivery company Zomato, logistics company Xpressbees, Swiggy, Byju's and Ola..

There are certain products like Chinese machinery and intermediates that cannot be made by Indian firms in the nearest future which make India dependent on China for those kind of products or should look for alternative uncompetitive price markets. Many Chinese companies have their presence in India and Chinese government has been undertaking huge projects in India<sup>26</sup>. Even many pharma and IT companies have their base in China. So, it is not very easy to cut the Chinese connection.

To conclude, Vocal for Local, unlike Make in India, is properly timed and rightly weighed proposition on part of India, when the world is reeling under Covid 19 pandemic. Make in India though couldn't achieve its ambitious goals at least could set the platform for takeoff of the Indian economy. It is for Vocal for Local to be highly action oriented. Vocal for Local is aimed at treating domestic manufacturers and foreign manufacturers without any distinction. In a way the government of India is making room for glocalisation strategy. It wants foreign companies to be more localized. It was observed how Xiaomi, a Chinese company has taken to polycentric approach to sustain its position in the Indian market. It is also observed that India is a China dependent economy with huge Chinese imports and investments. It requires lot of effort on the part of the government and people to build any economy that is free of Chinese dependence. Today the world is a global village, no economy can survive without interlocking with other economies. The way a country should connect with other countries shouldn't be a connection that makes our own country's resources redundant and pave the way for other countries to take a chunk of the market share at the cost of countries' local capabilities and local capacities. Countries' environments are extremely complex and dynamic, so a policy which yields result at a particular period of time may not yield the same results with passing of time, warranting changes to policies or new policies.

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