Strategic Gaming Exercise 1

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AATMANIRBHAR BHARAT FOR A $5 TRILLION ECONOMY IN A COVID PANDEMIC SCENARIO

1. The Prime Minister, in 2019, had set the goal of making India a $5 trillion (Rs 5 lakh crore) economy by 2024-25. It stimulated debate and discussion amongst policymakers and economists on how to attain this goal. India was a $1.7 trillion economy in 2014. The World Economic Outlook (WEO) of October 2019 estimated the size of India's economy at $ 2.9 trillion, becoming the fifth largest in the world, moving past United Kingdom and France. To become a $5-trillion economy by 2024-25, India's GDP would have required to grow annually at 12%, faster than the average of 7.5 % in the previous five years.

2. The emergence of the novel coronavirus in China in late 2019, leading to the global pandemic, relentlessly decimated economies around the world, including India. The global economy which was already witnessing a slowdown, was pushed into an unprecedented contraction. The global health emergency has tested the mettle of policymakers to deal with volatile, uncertain, complex and dynamic situations, having far-reaching socio-economic implications. The requirement of protecting both lives and livelihoods is a challenge for developing economies.

3. On 11 March 2020, the World Health Organization (WHO) declared the coronavirus epidemic as a pandemic. To cope with the health crisis, the Prime Minister, in a televised address to the nation, on 24 March 2020, announced a stringent countrywide lockdown from March 25 to April 14 which was extended in instalments until June 30, but with gradual relaxations. This enabled flattening of the pandemic curve and prevented the rapid rise of cases initially. It also provided necessary time to ramp up the health and testing infrastructure.

4. The stringent lockdown had a massive economic impact and resulted in a sharp contraction of 23.9 % in first quarter of 2020-21. India's continual calibration of its response while gradually unlocking and easing economic activity led to a V-shaped recovery, as seen in recovery across all key economic indicators. The Economic Survey 2020-21 estimated GDP growth at 11% in FY 22. The Organization for Economic Co-operation and Development (OECD) in its Economic Outlook, Interim Report March 2021, projected India's growth at 12.6% in FY 22, making it the fastest growing economy in the world. Projections by other various national and international agencies including the IMF projected this resilience of the Indian economy and expected India to be the fastest growing economy for the next two years. This was, however, prior to the second wave of Covid which hit India in 2021.

5. The second Covid wave, saw a sharp surge in infections with Covid-19 cases hitting record highs in India. The ferocity and large spread of the mutant virus put the country's health infrastructure under severe strain. Numerous States imposed lockdowns to contain the spread. Shortages of medicines, hospital beds and vaccines worsened the situation. The government has cleared additional vaccines and more would be available in-country within the next few weeks. Local manufacturers have been asked to ramp up production with the government providing funding for it. Vaccination for the 18-44 age group has been opened enabling all citizens the opportunity to be vaccinated.

6. The Covid pandemic is a seminal event and there are signs that political, economic, and geo-political relations in the post COVID world are changing. When Chinese factories shut down early in the pandemic it sent shock waves through the global supply chains and made businesses and governments reconsider their reliance on China. Major countries are now looking inwards, aiming to develop their manufacturing capabilities, to reduce dependence on others for essential goods and services, while preparing for a turbulent period ahead. A new world order also appears to be emerging in which Asia would occupy a prominent position. **The Government of India is working to ensure that India is ready and prepared to play a leading role in the changed scenario.**

7. Economic growth is priority for India to attain its geo-strategic goal. Becoming a $5 trillion economy is a move in that direction. The economic contraction as a fall-out of Covid will either push back the target year to reach $5 trillion economy or require higher rates of growth. According to a Confederation of Indian Industry (CII) - CARE Ratings knowledge paper, India's GDP could reach $5 trillion by 2026-27 if the country's economy grows at an annual average rate of 11.6% during the next six years. Another estimation for the post-COVID-19 period from 2021-22 to 2024-25 indicates the Indian economy requires to grow at an annual rate of 18.1% to attain a GDP target of $5 trillion by 2024-25. The Prime Minister in an interview in 2020 had stated that amid all the adversities posed by the Covid 19 pandemic he was "optimistic of India reaching a $5-trillion economy target by 2024". He added that "our government has a track record of meeting targets", while citing examples of the rural sanitation scheme, village electrification target and the Ujjwala scheme. The Prime Minister was clearly highlighting the need for ambition and grit.

8. Achieving an aspirational growth target of $5 trillion for India's GDP by 2024-25, calls for pulling all the economic growth levers—investment, consumption, exports - across all the three sectors of agriculture, manufacturing and services. Formulating the desired strategies for required growth over the intervening years becomes more complex due to the dynamic situation created by the ongoing Covid pandemic, and when radical shifts are taking place in the global economic and value creation paradigm. The most important aspect would be timely implementation of conceived strategies.

9. To manage the economy during the pandemic, India's fiscal stimuli was more "measured" as compared to developed countries like USA, Germany and Japan. The Government's initial package, focussed on addressing issues of the poor and marginalised by putting money in their hands along-with supply of food-grains lasting for three months, through the PM Garib Kalyan Yojana. Later India unveiled a series of medium-sized packages calibrating and targeting its response according to the evolving situation.

10. The crisis gave the government an opportunity to 'implement a slew of long pending seminal reforms to strengthen the long-term growth potential of the economy'. One major initiative was the AatmaNirbhar Bharat Abhiyaan.

AATMANIRBHAR BHARAT ABHIYAAN (Self Reliant Campaign)(ANB)

11. The Prime Minister in May 2020 launched an ambitious policy paradigm – the AatmaNirbhar Bharat Abhiyan, which focuses on manufacturing-led, export driven growth. He outlined five pillars of AatmaNirbhar Bharat Abhiyaan :–

(a) Economy - To bring a quantum jump and not incremental change
(b) Infrastructure- To become the identity of India
(c) System - Based on 21st century technology
(d) VIbrant - Demography -Energy source for a self-reliant India , and
(e) Demand - Strength of demand and supply chain should be utilized to full capacity

12. The Prime Minister observed that the crisis had taught India the importance of 'local manufacturing, local market and local supply chains'. All demands during the crisis were met 'locally' and it was time to be 'vocal about local products and help these local products become global'. In effect, ANB's purpose is to increase local manufacturing, enhance India's design and development capabilities, create more jobs and reduce reliance on expensive imports.

13. A special economic package (ANB 1.0) of INR 20 lakh crores - equivalent to 10% of India's GDP – was launched simultaneously to tackle the adverse impact of COVID-19 pandemic. It included a mix of stimulus measures, liquidity support to MSMEs and structural reforms in many sectors to strengthen the country's domestic manufacturing ecosystem. Two additional AatmaNirbhar packages (ANB 2.0 and ANB 3.0) in October 20 and November 20 followed. Total financial impact of all AtmaNirbhar Bharat packages including measures taken by RBI was estimated to about INR 27.1 lakh crores amounting to more than 13% of GDP.

14. As the Finance Minister noted, “The AatmaNirbhar Packages accelerated our pace of structural reforms. Redefinition of MSMEs, commercialisation of the mineral sector, agriculture and labour reforms, privatisation of Public Sector Undertakings, one nation one ration card, and Production Linked Incentive Schemes are some of the notable reforms carried out during this period.” The focus is to boost the manufacturing sector to cater for both domestic and global markets.

<u>Production Linked Incentive (PLI) Scheme</u>

15. To achieve the envisioned aims of the AtmaNirbhar Bharat Abhiyaan, PLI schemes to create manufacturing global champions have been announced for 13 sectors. Towards this, the government has committed nearly 1.97 lakh crores, over 5 years starting FY 2021-22. This initiative aims to leverage strengths that India possess by bringing scale and size in key sectors, creating and nurturing global champions and enhancing employment opportunities. The 13 sectors under the PLI Scheme are :-

(a) Mobile phone manufacturing

(b) Technology products

(c) Medical devices

(d) Active Pharmaceutical Ingredients (APIs)

(e) Pharmaceutical drugs

(f) Automobiles and auto components

(g) Advanced battery cells

(h) High efficiency solar PV modules

(j) Speciality steel

(k) White goods (ACs and LEDs)

(l) Capital goods

(m) Food products, and

(n) Textiles

16. For the past decade and a half, revival of the manufacturing sector has been on the agenda of successive governments with the aim of increasing share of manufacturing sector in GDP. Although the country's manufacturing exports are growing (particularly in skill-intensive sectors such as auto components, engineered goods, generic pharmaceuticals, and small cars) the manufacturing sector generates just 16 % of India's GDP—much less than the 55 % from services. To achieve transformation in the manufacturing sector, the Government had launched the 'Make in India' programme in 2014 to promote manufacturing and make India a global design and manufacturing hub. Under the initiative, 25 sectors including defence manufacturing were identified to revive India's industrial growth. Make in India aimed to raise the contribution of manufacturing in GDP from 16-17% in 2014 to 25%, and create 100 million jobs. The outcomes have however been tepid.

17. The manufacturing sector of India has the potential to reach US$ 1 trillion by 2025. The country's talent pool, availability of raw material, supported by a progressive regulatory regime, position India as a favoured manufacturing destination. Analysis by McKinsey finds that rising demand in India, together with the multinationals' desire to diversify their production to include low-cost plants in countries other than China, could together help India's manufacturing sector to grow six-fold by 2025, to $1 trillion, while creating up to 90 million domestic jobs. For a $ 5 trillion economy, the manufacturing sector has to grow in double digits on a sustained basis.

18. The PLI scheme provides a boost to the AatmaNirbhar/Make in India vision and encourages companies by incentivising investment and production. The scheme is output oriented and provides incentives based on performance and not promises. The objective of the PLI scheme is to make Indian manufacturers globally competitive, attract investment in the areas of core competency and cutting-edge technology; ensure efficiencies; create economies of scale; enhance exports and make India an integral part of the global supply chain. As per the Prime Minister the 13 PLI schemes could lead

to an incremental manufacturing output of $520 billion and double the work force in relevant sectors over the next five years. The design of the PLI schemes are such that big companies with elevated export potential would be the principal beneficiaries. Under the scheme for pharmaceuticals, for example, as much as Rs 11,000 crore (73% of the total incentives of Rs 15,000 crore) will be extended to eligible applicants whose global manufacturing revenue was in excess of Rs 5,000 crore in FY20. As global companies focus on de-risking their operations, by reducing dependence on one market, India stands to gain investments across sectors.

Electronics and IT Manufacturing

19. The Ministry of Electronics and Information Technology (MEITY) is responsible for the PLI scheme relating to technological advanced products. Its website highlights that '*the vision of National Policy on Electronics 2019, is to position India as a global hub for Electronics System Design and Manufacturing (ESDM) by encouraging and driving capabilities in the country for developing core components, including chipsets, and creating an enabling environment for the industry to compete globally*'. The Ministry has notified two PLI schemes for large scale electronics manufacturing, offering an incentive of 4% to 6% on incremental sales (over base year FY2019-20) of goods under target segments that are manufactured in India to eligible companies, for a period of five years. It invited electronics companies to manufacture mobile phones and other electronic components such as transistors, diodes, thyristors, resistors, capacitors and nano-electronic components such as micro electromechanical systems, as also IT hardware(Laptops/Tablets etc).

20. The PLI scheme endeavours to promote five global and five local champions for mobile phones manufacture, as also encourage electronic component manufacturers. The Scheme incentivise brands and manufacturers to transport the entire supply chain to the country, not just end-stage assembly. The subsidy outlay for the five global firms is Rs 28,150 crore, approximately Rs 5,630 crore per company over five years. For local firms, the

total incentive outlay is Rs 7,300 crore or about Rs 1,460 crore per company, over five years.

21. The Indian mobile phone companies *Lava, Bhagwati (Micromax), Padget Electronics, UTL Neolyncs and Optiemus Electronics* have been approved for PLI Scheme. These companies are expected to expand their manufacturing operations in a significant manner and grow into national champion companies in mobile phone production.

22. The international mobile phone manufacturing companies approved for PLI Scheme are *Samsung, Rising Star, Foxconn Hon Hai, Wistron and Pegatron*. Apple (37%) and Samsung (22%) together account for nearly 60% of global sales revenue of mobile phones and this scheme is expected to increase their manufacturing base manifold in the country. Amid the ongoing US-China tensions, the second-largest iPhone assembler Pegatron is investing $150 million (Rs 1100 crore) to set up manufacturing facilities. The over $45-billion Taiwanese contract manufacturer is one of three global makers of iPhones for Apple. The other two, Wistron and Foxconn, are already operating in India. Samsung has set-up two factories, in Noida and Sriperumbudur, near Chennai, five R&D centres and one design centre. It is expanding its current capacity of 68 million units a year to 120 million in its Noida factory. When it is achieved the facility would be the world's largest mobile manufacturing factory. Samsung Electronics is also the only company that surpassed the investment and output target set under the production-licked incentive (PLI) scheme for the handset and other manufacturing components during 2020-21.

23. Over the past two decades, India has tried unsuccessfully to attract semiconductor fabs or chip makers. Chips go into all kinds of appliances, smart speakers, phones, telecom gear and cars. The chips are the heart of a smart, connected life. 40-60% of the product cost is due to various chips. While Apple, AMD, Nvidia, Qualcomm and others design chips in India and elsewhere, they are mostly made in China and other Asian countries, but not in India. This is a gap that is also being attempted to be filled.

24. For IT Hardware products - Laptops, Tablets, Personal Computers (PCs) and Servers, demand in India is largely met through imports valued at Rs 29,470 crore ($4.21 billion) and at Rs 2,870 crore ($0.41 billion) respectively. The market for IT Hardware is dominated by 6-7 companies globally which account for about 70% of the world's market share. These companies exploit large economies of scale to compete in global markets. India would benefit if these companies expand their operations in India and make it a major destination for manufacture of IT Hardware. Similarly, under the PLI Scheme the government has earmarked an outlay of Rs 180 bn for incentivising the manufacturing of advanced chemistry cells. Several players will compete for a share of the lithium-ion battery pie over the next decade. Today, South Korea, China, and Japan account for nearly 85% of the global lithium cell production.

25. As indicated in the MEITY website, the domestic electronics hardware manufacturing sector faces lack of a level playing field vis-à-vis competing nations. The sector suffers disability of around 8.5% to 11% on account of lack of adequate infrastructure, domestic supply chain and logistics; high cost of finance; inadequate availability of quality power; limited design capabilities and focus on R&D by the industry; and inadequacies in skill development. PLI scheme would help offset the deficiencies.

26. Several State Governments have also come out with their own policies to facilitate, promote and develop Electronics design and manufacturing sector. Synergistic approach between the Centre and the States would help build a strong electronics manufacturing ecosystem in the country and integrate with the global value chains.

27. Several business councils have welcomed India's thrust towards manufacturing and have expressed willingness to 'bolster technology collaboration and co-development of key products'. They, however, sought 'further simplification of taxation and labour reforms and increasing regulatory certainty'.

28. Corporate India welcomed the PLI schemes, but has called for flexibility in these schemes to respond meaningfully when needed. Special status to PLI

companies, stable tax regime, trade pacts and boosting supply chain are some of the other demands of the industry.

DEFENCE MANUFACTURING

29. Under the 'Make in India' initiative, 25 sectors including defence manufacturing were identified to revive India's industrial growth. Despite a fairly large defence industrial base, India holds the distinction of being the second largest importer of weapons. The Government through various measures has indicated clearly the need to bolster indigenisation in this critical sector. Developing a 'national' defence industry means development of the capacity for mastering the design, technology and production of a weapon system of one generation and then being able to develop the next generation technology and weaponry on one's own. The Government has taken various policy initiatives to take forward indigenisation and self-reliance. These include amongst others:-

(a) Release of the Defence Acquisition Procedure 2020 and the ongoing revision of the Defence Procurement Manual, which will bring efficiencies in the acquisition processes.

(b) Promulgation of Defence Production and Export Promotion Policy 2020 to promote domestic production and exports.

(c) Foreign Direct Investment in the defence sector has been increased from 49% to 74% under the automatic route as promulgated by the Department for Promotion of Industry and Internal Trade (DPIIT) in September, 2020. Coupled with introduction of Buy (Global – Manufacture in India) in DAP 2020 it is an invitation for global defence OEMs to participate in the growth of the Indian defence industry, by setting up manufacturing facilities on their own or partnering with the Indian companies through JV or technology agreements.

(d) A negative list for imports for defence sector. The list comprises of simple parts, and high-technology weapons such as artillery guns, assault rifles, corvettes, sonar systems, transport aircrafts, light combat helicopters, radars, among others.

(e) A separate budget head for domestic capital procurement has been created and allocated a budget of INR 52,000 crore for domestic procurement. Earlier, the capital procurement budget comprised of both domestic as well as foreign procurement.

(f) Indigenous content requirement has been increased the in all categories of defence procurement. In addition, DAP 2020 has also proposed other measures to increase indigenisation such as increase in indigenous availability of high-end military materials, the use of indigenous software in equipment/systems and a boost to innovation by start-ups and Micro, Small and Medium Enterprises.

30. The private sector has shown excellent growth and has evolved from being component and subsystem manufacturers, to designing and building complete Solutions, System of Systems and Platforms. According to data published by the DDP, in April 2020, the vast majority of defence export approvals have been secured by India's private sector. For instance, in FY 2019-20, India's private sector was attributed with 93% of defence export approvals in terms of value, while the remainder was secured by DPSUs. Also, the export performance by India has grown 15-16 times over the past 6-7 years.

31. To support growth of the defence sector, two Defence Industrial Corridors have been set up, one in Uttar Pradesh and the other in Tamil Nadu. Plug and Play support would be provided to companies setting up manufacturing facilities there. These include provision of infrastructural requirements, single-window regulatory approvals and other associated incentives and benefits.

32. Defence manufacturing would not only strengthen India’s defence production capabilities but also drive economic growth for the country. The measures taken by the government clearly demonstrates its resolve to synergize Procurement, Research & Development and Defence Production of sophisticated weapon systems to create a sustainable and vibrant domestic defence industry. With major thrust on defence export promotion, India

should endeavour to achieve the target of registering an annual turnover of USD 25 billion by 2025.

HEALTH

33. The COVID 19 pandemic brought issues of health to the fore in India, along-with the necessity to have a robust public health infrastructure. Huge population and high population density inherently provided conditions for a higher rate of Covid spread. The Government put forward a strong national response and imposed a stringent national lockdown while invoking the Epidemic Diseases Act, 1897. This flattened the pandemic curve and provided time to ramp up Covid diagnostic and care facilities. Proactive actions of the government and tireless efforts of healthcare workers helped the country navigate the first phase of the COVID-19 pandemic; however, it exposed weaknesses in the healthcare system, and highlighted the need for a major infrastructure revamp.

34. The pandemic also exposed the fact that India is dependent on imports for essential medical equipment. When the pandemic hit, India did not produce PPE kits or ventilators. India was acutely short of medical equipment and devices. N95 masks, personal protective equipment (PPE), and diagnostic kits were identified for rapid production. Imports were hard to come by as countries were shutting down and their export had been stopped. The government's active engagement pushed the Indian medical devices sector to indigenize. The private sector rose to the challenge, be it on innovation. manufacture of drugs, devices, vaccines or on testing and treatment. Within two months Indian companies started manufacturing PPE kits and their import stopped. India now has the capacity to produce 4.5 lakh PPE kits on a daily basis, with over 600 companies certified to make them. The same is the case with ventilators and medical treatment options.

35. Over the last three decades, India has made substantial progress in providing essential healthcare services to the population which has resulted in improved health indicators. Healthcare has become one of India's largest sector, both in terms of revenue and employment. It has been a key focus area

and part of country's development plan through various initiatives including Swachh Bharat Abhiyan, Ayushman Bharat, National Digital Health Mission and now 'Mission COVID Suraksha'. India's National Health Policy 2017 also places a strong emphasis on preventive and promotive healthcare and universal access to good quality healthcare services. However, India's healthcare expenditure (government plus private) is approx. 1.3% of GDP, which as percentage of GDP is lower than those of comparable economies. Despite having a large pool of well-trained medical professionals, India has a shortage of physicians, nurses and other human resources. The number of physicians, for example, is 0.65 per 1,000 people (the World Health Organisation standard is 1 per 1,000 people) and 1.3 nurses per 1,000 people.

36. Due to low public spending on healthcare, the public health sector is stretched and inadequate. India still has a long way to go in achieving broad-based healthcare improvements. As an example, though life expectancy and nutrition levels have risen considerably, the disease burden continues to remain high. The health sector also suffers from high disparity across urban-rural and different States of the country. Health being a state subject, some States made long-term investments in public health, and others less. This emerged quite clearly in the manner in which States managed the Covid outbreak.

37. The private sector has a strong presence in India — roughly 80 % of all healthcare delivery takes place through private healthcare providers. Private hospitals in the country are growing at an annual rate of 12 per cent and private entities have contributed 70 per cent of the hospital beds added, over the past decade. This has also led to high out-of-pocket expenditure for citizens. Currently, out-of-pocket expenditure constitutes more than 60% of all health expenses, as against a world average of 18 % , a major challenge in a country like India where a large segment of the population is poor. One factor for this is because the Indian health insurance sector is still in its infancy.

38. The government has launched the PM-JAY (Pradhan Mantri Jan Arogya Yojana) scheme, which is '*the world's largest non-contributory Government-sponsored health insurance scheme that enables increased access to inpatient healthcare for poor and vulnerable families in secondary and tertiary facilities*.'

The scheme provides 500 million beneficiaries with an annual hospitalisation cover of up to Rs 500,000 per family. With its emphasis on improving the performance of public facilities and leveraging the potential of the private sector in delivering healthcare for the poor, the healthcare industry in India could be a crucial inflexion point. India is also committed to achieving Universal Health Coverage as part of the Sustainable Development Goals.

39. In the recent budget the Finance Minister (FM) placed Health & Wellbeing as one of the six crucial pillars of Aatma Nirbhar Bharat. A 137 % increase in the allocation for health was one of the main highlights of the 2021 Budget announcements. However, this covers healthcare holistically including nutrition, sanitation, clean drinking water and pollution control.

40. A new centrally-sponsored **PM Aatma Nirbhar Swasthya Bharat Yojana** was also announced, 'the inspiration of which was to develop a modern eco-system from research to testing and treating in the country itself'. Of the INR 2.23 lakh crore budget allotment, Rs 64,180 crore has been allocated to this new scheme. The programme, will fund developing primary, secondary and tertiary healthcare in the country over the next 6 years. It will also :-

(a) Provide support for 17,788 rural and 11,024 urban health and wellness centres;
(b) Establish integrated public health labs in all the districts and set up 3,382 public health units in 11 states;
(c) Set up critical care hospital blocks in 12 central institutions and 602 districts;
(d) Strengthen the National Centre for Disease Control, its 5 regional branches as well as 20 metropolitan health surveillance units;
(e) Expand the Integrated Health Information Portal to all the Union Territories and States connecting all public health labs;
(f) Operationalise 17 new Public Health Units and strengthen 33 existing Public Health Units at the Points of entry (11 seaports, 32 airports, and 7 land crossings);
(g) Establish mobile hospitals and Emergency Health Operation Centres;

(h) Establish :-

- National institution for One Health,
- Regional Research Platform for Southeast Asia Region of WHO,
- 4 Regional National Institutes for Virology, and
- 9 Bio-Safety Level III laboratories

41. India's health sector is estimated to be worth $160 billion annually, and private firms play a crucial role in delivering services. India's National Health Policy (2017) aims to increase Government spending on health to 2.5% of GDP by 2025. In India, the healthcare sector is a major employer with significant potential for further development and employment. Despite the employment of five million people in India's healthcare sector, the country's density of health professionals is low compared to countries like Sri Lanka, China, Thailand, UK and Brazil, according to a WHO database. As per estimates by the National Skill Development Corporation (NSDC) healthcare can generate 2.7 Million additional jobs in India between 2017-22 -- over 500,000 new jobs per year.

42. Technology is also being utilized to make healthcare more effective with a number of initiatives being worked upon. According to the Future Health Index (FHI) 2019 report, India is already a leader in the adoption of digital health technology with 76% of healthcare professionals in the country using digital health records (DHRs) in their practice. The advancements in biotechnology, smart medicines, virtual and augmented reality, AI & IoT in healthcare are likely to gain momentum.

43. The issue of healthcare access must be tackled through genuine **Public Private Partnerships**, helping the health sector leverage the strengths of both the large state sector and the cutting edge technology that the private sector brings. While the best of hospitals and diagnostics are found in Tier 1 cities, there is a need to expand their presence across the country. The various government schemes which endeavour to strengthen public health across the country should be the focus for accomplishment.

44. While health is a state subject a national thrust can produce results, as seen in the Swachh Bharat scheme. Living with the pandemic has brought forward the urgency to revamp the struggling healthcare system and further improve it to tackle any future health crisis. With added budgetary and policy support to the health sector Indian healthcare may be at the cusp of a transformation.

PHARMACEUTICALS

45. Indian firms have established themselves as leaders in the global pharmaceutical sector. India holds a fifth of all global manufacturing sites catering to US market. Home to nearly 2050 WHO-GMP (Good Manufacturing Practices) approved Pharma Plants, with 697 European Directorate of Quality Medicines (EDQM) approved plants, it is the third largest in the world by volume. India accounts for roughly 20 per cent of the global generic drugs market, and for 10 per cent of the global pharmaceutical production. Low cost of production, research and innovation and the availability of skilled labour are the key drivers. As per a McKinsey report, in the Indian pharmaceutical sector branded generics dominate, making up for 70 to 80 per cent of the retail market. Local players enjoy a dominant position driven by formulation development capabilities and early investments. Price levels are low, driven by intense competition. While India ranks tenth globally in terms of value, it is ranked third in volumes. These characteristics present their own opportunities and challenges.

46. Currently, the size of the Indian pharmaceutical industry is approx $50 billion, which is slated to increase to $100 billion by 2024-25. The major categories within India’s pharmaceutical sector include generic drugs, Active Pharmaceutical Ingredients (API)/bulk drugs, over-the-counter drugs, vaccines, contract research and manufacturing as well as biosimilars and biologics. The AatmaNirbhar Bharat Abhiyaan packages include several short-term and longer-term measures for the health system, including Production-Linked Incentive (PLI) schemes for boosting domestic manufacturing of pharmaceutical drugs, APIs and medical devices. Further, India offers

substantial opportunity for investment in contract manufacturing, research and development, over-the- counter drugs, and vaccines.

47. Around 70% of the pharmaceutical requirements are met by Chinese imports of some basic raw materials, particularly APIs (Active Pharmaceutical Ingredients) – the bulk components to produce finished drug formulations. The Chinese APIs cost approximately 1/3rd of Indian manufactured APIs, due large scale manufacturing operations, along with supportive government policies. Production of APIs and manufacture of high-end medical devices is being given an impetus in India through the PLI Scheme.

48. Vaccine manufacturers rely on third parties for timely supply of goods like raw materials, equipment, formulated drugs and packaging, critical product components and services. A typical vaccine manufacturing plant will use around 9,000 different materials, according to a report by the World Trade Organization. Plastic bags, filters and cell culture media, especially, are relevant to most vaccines being made to tackle the Covid-19 pandemic. Serum Institute, Biological E and Bharat Biotech have flagged several components as areas of concern which is also concurred by several other manufacturers around the world. Any restriction on their export has an adverse impact on vaccine production.

49. Increasing out-of-pocket expenditure of patients, a large share of which is on purchase of drugs, is a matter of growing concern for the government in India. Regulations such as Drug Price Control Orders and National List of Essential Medicines attempt to control prices of drugs and medical devices. Regulations and price control also have a direct impact on R&D investments in drug development. If the price is too low, innovation will be discouraged with an adverse impact on quality of medicines and research/discovery of breakthrough medicines. Pharmaceutical regulation therefore involves a potential trade-off between curbing costs today versus having fewer drugs to effectively treat diseases. Maintaining a balance is a delicate exercise which the government undertakes.

50. The WHO guideline on country pharmaceutical pricing policies suggests countries should use a combination of different pricing policies based on their

regional needs. The UN High-Level Panel on Access to Medicines favours a balance between the conflicting demands of trade and the right to health. In its September 2016 report, it backed ‘de-linkage’ of the costs of R&D from the eventual price of the drug through some agreements funded by governments or philanthropists that reward companies for getting a much-needed drug, like an antibiotic / vaccine, into the hands of doctors. It also recommends that governments should build on existing systems, such as the Global Price Reporting Mechanism and Vaccine Product, Price and Procurement.

51. Currently, 8 out of the top 20 global generic companies are from India. Indian drugs are exported to more than 200 countries in the world, with the US being a key market. India also supplies 62% of the global demand for vaccines. India is the number one supplier of DPT, BCG, and Measles vaccines. During the Covid pandemic, India has supplied 64 million doses of vaccines to over 82 countries, including 17.7 million doses through the Covax facility for low income countries. The COVAX facility, a joint initiative of WHO, GAVI(Global Alliance for Vaccines and Immunisation) alliance and Coalition for Epidemic Preparedness Innovations (CEPI) is a global collaboration to develop, buy and guarantee fair and equitable access of COVID-19 vaccine to every country in the world. COVAX has now delivered more than 38 million doses across six continents, supplied by three manufacturers, AstraZeneca, Pfizer-BioNTech and the Serum Institute of India (SII). More than 100 nations, of which 61 are among the 92 lower-income economies have received the life-saving COVID-19 vaccines from COVAX. As per WHO, SII has been contracted by GAVI to provide COVAX with the SII-licensed and manufactured AstraZeneca (AZ)-Oxford vaccine (COVISHIELD) to 64 lower-income economies, alongside its commitments to the Government of India. This agreement includes funding to support an increase in manufacturing capacity at SII.

52. The pace of development, testing and approval of vaccines within a year globally is remarkable considering that vaccine development usually takes 5-10 years. In India, two vaccines have been approved, one which Bharat Biotech and Zydus Cadilla developed(Covaxin) and the second which Serum Institute of India (SII), a private Indian company, is manufacturing(Covishield) for Indian and global markets. Vaccine development and production demonstrates India’s proven capability in pharmaceuticals development. Bill Gates in a

documentary -Covid 19: India's War against the Virus- said , "Indian drug and vaccine companies are huge suppliers to the entire world. More vaccines are made in India than anywhere". Pharmaceutical exports are expected to continue witnessing positive growth. As per a report prepared by EXIM Bank of India, the country's pharmaceutical sector is ripe for the creation of an export hub.

53. Health diplomacy during Covid saw India commencing the Vaccine Maitri (Vaccine Friendship) initiative wherein the spiking requirements of hydroxychloroquine, paracetamol and other relevant drugs across the world were met. As the Foreign Minister stated," We supplied 150 nations with medicines, 82 of them as grants by India. As our own production of masks, PPEs and diagnostic kits grew, we made them available to other nations as well. Vaccine Maitri began in the immediate neighbourhood, starting with the Maldives, Bhutan, Bangladesh, Nepal, Sri Lanka and Myanmar, as also Mauritius and Seychelles. The extended neighbourhood followed thereafter, especially the Gulf. Supplying smaller and more vulnerable nations was then the logic of reaching out to regions from Africa to the CARICOM." Niti Aayog has brought out the necessity of a "purpose-driven" and non-siloed approach to health diplomacy and structures that facilitate a 'whole-of-government' approach to this critical area.

54. For the Indian pharma industry to rise up the global pharma ladder would require a conducive environment for encouraging domestic manufacturing, facilitating exports and encouraging innovation through increased research and development. The AatmaNirbhar Bharat Abhiyaan endeavours to do just this.

Agriculture

55 Agriculture is a key sector of Indian economy in view of its contribution to employment and GDP. However, the contribution of agriculture to GDP has gone down from 52% in the 1950s to below 20 % from 2010 onwards. In 2019-20, the contribution of agriculture and allied sectors to the GDP was 16.5%, reflecting the structural transformation taking place in the economy.

56. Indian agriculture and allied sector broadly covers four activities, viz., crop, livestock, forestry and fisheries. To stimulate productivity of these activities, the Government has, from time to time, given policy thrusts which led to the various agricultural revolutions, viz., green revolution in cereal production (late 1960s-early 1980s), the white revolution in milk production (starting in the 1970s), the gene revolution in cotton production (in early 2000), and the blue revolution which focused on increasing fisheries production and productivity (1973-2002). As a result, the agriculture sector has not only become self-sufficient but has emerged as the net exporter of several agricultural commodities like rice, marine products, cotton etc. India's production of food grains has been increasing every year, and India is among the top producers of several crops such as wheat, rice, pulses, sugarcane and cotton. It is the highest producer of milk and second highest producer of fruits and vegetables. This sector plays a significant role in rural livelihood, employment and national food security.

57. Agriculture employs nearly half of the workforce in the country. The proportion of Indian population depending directly or indirectly on agriculture for employment opportunities is more than that of any other sector in India. As high as 70 % of the rural households still depend primarily on agriculture for their livelihood, with 82 % of farmers being small and marginal. Between 1970-71 and 2015-16, the number of farms more than doubled from 71 million to 145 million, while the average farm size more than halved from 2.28 hectares to 1.08 hectares, due to population growth and competition for land.

58. While agriculture in India has achieved grain self-sufficiency but the production is resource intensive, cereal centric and regionally biased. Key issues affecting agricultural productivity include decreasing sizes of agricultural land holdings, continued dependence on the monsoon, inadequate access to irrigation, imbalanced use of soil nutrients resulting in loss of fertility of soil, uneven access to modern technology in different parts of the country, lack of access to formal agricultural credit, limited procurement of food grains by government agencies, and failure to provide remunerative prices to farmers.

Agriculture labour productivity in terms of gross value added (GVA) in India is less than a third of that in China and 1% of that in the US.

59. There is a need for improvement in management of agricultural practices on multiple fronts and multiple ways. This includes increasing incomes of farming households, diversifying production of crops, empowering women, strengthening agricultural diversity and productivity, and designing price and subsidy policies that should encourage the production and consumption of nutrient rich crops. Diversification of agricultural livelihoods through agri-allied sectors such as animal husbandry, forestry and fisheries has enhanced livelihood opportunities, strengthened resilience and led to considerable increase in labour force participation in the sector. Agriculture policies need to recognise how crop choices, input costs, and the supply chain are intertwined.

60. The government has taken various initiatives to reform the sector including three new agricultural reform laws. Viz, The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, The Farmers (Empowerment and Protection) Agreement of Price Assurance and Farm Services Act, and The Essential Commodities (Amendment) Act, which has been opposed by a section of the farming community. The government has presented these laws as reforms akin to the 1991 economic reforms and argued that the three laws open up new opportunities for the farmers enabling them to earn more from their farm produces. They would also provide barrier-free trading platforms to farmers, and are aimed at addressing the post-production challenges

61. The Government has set a goal to double farmers income by 2024. The strategy includes seven sources of income growth viz., (i) improvement in crop productivity; (ii) improvement in livestock productivity; (iii) resource use efficiency or savings in the cost of production; (iv) increase in the cropping intensity; (v) diversification towards high value crops; (vi) improvement in real prices received by farmers; and (vii) shift from farm to non-farm occupations.

62. Inherent in the above goal is enhancing agri-exports. India stands at 6th position in World Agriculture Exporters List. Upon fulfilling domestic

demands, India is yet able to export its agricultural products to more than 100 countries across the world. Greater focus on enhancing agri-exports, such as Diversifying of Export Basket and Boosting Export of High-Value Products would help make the agriculture sector more remunerative.

63. The Cabinet in March 21 cleared a production-linked incentive (PLI) scheme to promote processed food manufacturing, with an estimated cost of Rs 10,900 crore to the exchequer over the next six years. Food processing would contribute to the government's efforts to increase farmers' incomes through better processing of agricultural produce and attract foreign investments in the high-potential sector. Post-harvest losses in India are one of the highest in the world. As per an expert, expansion of manufacturing in processed food sector would help reduce wastage, which is 20-30% in fruits and vegetables and 4% in food-grains. The PLI scheme would help expand the domestic capacity for food processing and potentially generate additional Rs 33,500 crore worth of processed foods with a potential to create 2.5 lakh employment, according to an official estimate. The eligibility criteria — in terms of investment and turnover — for firms to avail of the incentives will be decided later in consultation with the industry.

64. The government is working towards creating a unified market in agricultural commodities, pushing investment in agricultural supply chain through the Agriculture Infrastructure Fund, better price realisation to farmers and bringing modern technology in agriculture. Agriculture is a state subject and the union government has to work closely with them in transforming the agriculture and rural sector, keeping in mind growth, equity and sustainability.

Exports

65. The relationship between international trade and economic growth is well established and export growth leads to an expansion in production, economies of scale and technological innovation. No country had ever grown fast without buoyant exports. The World Bank has stressed the need for India to focus on exports given the economic growth of the economy had been

driven by domestic demand of late, with its exports amounting to only a third of its potential.

66. India's share in global merchandise exports was 1.7% in 2017, and the services share 3.4%. Aggregate export share has been on a marginal upward trend and has plateaued in the 2 to 2.1% range since registering a local peak of 1.8% in 2010. (WTO data).

67. The WTO's World Trade Statistical Review of 2019, which analysed trade patterns between 2008 and 2018, states manufactured goods continue to dominate world trade with their share going up from 66% to 68%. Of the other two key components, fuels and mining products went down from 22% to 19% and agricultural products went up from 8% to 10% during the period.

68. In contrast, India's export has a large presence of primary goods and low technology products. Moreover, some of these items, like pharmaceuticals, oil products, auto components, and diamond are import-dependent. With India failing to remove its trade deficits year-over-year, its growth prospects are constrained even after bold economic reforms. India's import expenses, far outweighing export (in FY 18-19 import $514.44 billion, exports $303 billion), have kept the deficit in play. India's export share globally was only 1.65 percent.

69. The Niti Aayog's Strategy for New India@75 also lists high logistics costs as a major impediment to exports. It says India's logistics costs are estimated at 14% of its GDP while that for other countries, except China, is far lower: 9% for the US, 11% for Japan, 12% for South Korea and 14.9% for China. It states that a 10% decrease in logistics cost has the potential to increase exports by 5-8%.

70. The global environment is not as conducive as earlier with a backlash against globalization being evident. In recent years, support for free trade has declined in parts of the world and new trade barriers have arisen. Protectionist measures have become more common in recent years. The trade war between the US and China is just the latest manifestation of this trend and has far-

reaching repercussions on other economies. On the other hand, data from the Global Trade Alert (GTA) database shows that over the past three years, among the largest economies comprising the G-20 group, India is only second behind US in imposing restrictions on trade. In its 2019 National Trade Estimate Report on Foreign Trade Barriers the US Trade Department singles out India as having the highest tariffs "of any major world economy", averaging 13.8%. The rising tariffs are to protect domestic industry.

71. India, like many others, has itself been hit hard by enhanced American duties on a range of products like aluminium and steel. India in return has raised tariffs on some US products. US has also withdrawn Generalised System of Preferences (GSP) for India, available traditionally to developing countries.

72. Although the outlook of global economies looks bad, Asian economies are trying to cash in on opportunities emerging from the trade war, particularly India and ASEAN countries, which are trying to increase their trade footprint in the global supply chain. To avoid tariff, manufacturers are looking at opportunities to relocate capacities. Relocation, however, is time-consuming due to significant fixed and sunk costs. An opportunity exists to cash in on this opportunity.

73. The pandemic has also brought to the forefront aspects of protectionism. While it was most visible in medicines and vaccines where countries first moved to protect themselves, it was also visible in other areas, such as micro-chips, which were in short supply. Global Supply Chains found themselves being constrained by policy changes, invocation of rarely used laws and massive trade disruption. There is an increasing debate on protectionism being the new normal, and whether regionalism would be the way ahead.

74. With this backdrop, the government has set a target of doubling of India's exports by 2025. As per the Annual Report of Ministry of Commerce, *"A key driver for India to achieve the $ 5 trillion mark would be a sustained high growth rate of exports. To achieve this objective, Government should continue to systematically address domestic and overseas constraints related to the policy, regulatory and operational framework for lowering transactions costs*

and enhancing ease of doing business; to create a low cost operating environment through efficient, cost- effective and adequate trade related infrastructure; to provide financial and institutional support to exporters and export organisations to build capacity; and enable the pursuit of overseas market opportunities through awareness building and brand promotions." An 'activist trade effort' is a requirement. The government promulgates a Foreign Trade Policy(FTP) which provides export-linked incentives. The existing policy 2015-20 was extended till 30 September 2021, due to the ongoing pandemic. The new policy for 2021-26 is under discussion. For assuring access of goods to target countries, the embassies play an important role. In addition, Free Trade Agreements also act as catalysts for exports. India has FTAs with several countries and is negotiating more, such as with EU and USA.

75. CEO, Niti Aayog recently criticised Indian industry for lobbying against FTAs. He said, 'India will loose huge opportunities if it keeps out of (FTAs) and Indian companies should aim to become globally competitive instead of adopting a protectionist stance.' At the same time, in July 2020, the Foreign Minister told a business event that the FTAs that India had entered into over the years 'have not been able to largely serve the country's economy well in terms of building capacities ---- there are ways of engaging the world which do not necessarily have to be FTA-centric.' Despite protracted negotiations, India in November 2020 declined to join the Regional Comprehensive Economic Partnership (RCEP). 15 Asian nations representing nearly a third of the global economy, however, signed onto the RCEP, forming the world's biggest trading bloc. **Is a think-through on the wider assessment of trade policy in context of the Aatmanirbhar strategy required?**

76. Today over 70 to 80 percent of global trade is in intermediate goods, capital goods and services, highlighting the importance of Global Value Chains (GVCs) and Regional Value Chains (RVCs). India should be looking for opportunities of locating itself on these value chains. One of the considered aims of the Aatma Nirbhar Abhiyan is for India to enhance exports and be part of global value chains.

Current Situation

77. The Union Budget presented on 01 Feb 21 presented a bold and ambitious budget whose underlying theme was to provide an impetus to growth, amid a pandemic induced slowdown. The budget endeavoured to propel Indian economy into a higher growth orbit over the next few years.

78. The Government's approach is clear and it is to facilitate India to remain the world's fastest growing economy on a sustainable basis. Implementation would be key and will determine the trajectory and how soon India can achieve its aim of becoming a $5 trillion economy. Centre and States working in tandem is critical for India to achieve the growth rate required to become a $5 trillion economy expeditiously. Further, India is seeking not just growth, but also enhanced employment opportunities.

79. The severity of the second Covid wave was four times greater than the first wave in terms of number of cases and deaths, furthur disrupting the growth process, which had already been adversely affected by the first wave. With a possible third wave of the pandemic, economic recovery faces a big risk. There is however no consensus on the wave and its impact. The All India Institute of Medical Sciences(AIIMS) Head felt that the third wave was inevitable; an IIT Kanpur study expects it to peak in September-October. On the other hand there is a view that increasing pace of vaccination would help India achieve herd immunity. The pace of vaccination has increased manifold and daily Covid-19 vaccinations have risen in the vicinity of 50-lakh mark. To streamline the process, on 21 June , the Covid vaccine procurement policy was revised with the Centre taking up the responsibility of procuring it for the States as well. The Government needs to address issues of health at all levels - both macro and micro.

80. India and South Africa are engaging with WTO to waive Intellectual Property Rights on Covid 19 vaccines and drugs. This would allow manufacturers in countries like India, to make vaccines and supply them under licensing agreement, to Africa and other developing regions. After stalling the proposal for an extended period, in a significant breakthrough, WTO members

in Jun 21 agreed to a text-based discussion on the proposal. The General Council meeting of the WTO is expected to take place on July 21-22 where the proposal will be debated.

81. The Quadrilateral Vaccination Initiative agreed to in the March 2021 summit, was taken forward with meeting of Sub-Group on Vaccine Delivery, Harmonization and Administration. A meeting between India (MEA, Dept of Biotechnology) and Japan (Japan Bank for International Cooperation) in June 21, was held to work out broad modalities of vaccination production.. Quad's vaccine diplomacy is critically dependent on India's ability to produce and distribute Covid vaccines. India is seeking to expand manufacturing and increase production of Covid-19 vaccines by around 1 bn doses by end -2022, as per Department of Biotechnology. India is also committed to providing vaccines for the COVAX programme, as also to friendly countries.

82. India's economy was on a recovery mode as select sectors had shown a gradual but sustained improvement over the last two quarters of FY 2020-21. With the severity of the second Covid wave, the economic situation would be adversely impacted, as rising infections were concentrated in economic hubs - Maharashtra, Delhi, Gujarat, Karnataka, Tamil Nadu and Rajasthan. As per an assessment, for every week of activity impacted by Covid, the economic loss to GDP would be $1.25bn or 9.4k cr. This loss would be split between households, businesses, financial sector and the government. The RBI in its Monetary Policy Committee meeting has signalled its accommodative stance for the foreseeable future till recovery is secured. The economic situation is becoming tough and the path to a $5 trillion will require a clear strategy and firm implementation.

83. The Finance Minister on 28 Jun 21 announced stimulus measures amounting to Rs 6.3 lakh crore. However, a large chunk of this is credit guarantees, enabling easy access to credit. The actual cash outgo will be less than Rs 1.5 lakh crore, most of it on account of fertilizer subsidy and extension of the free ration scheme. Is the high fiscal deficit, budgeted at 6.8% this year, under strain due to a combination of lower revenues and higher spending?

84. The Central Government decided to distribute 5 kg grains free of cost to all the 800 mn beneficiaries of the National Food Security Act over and above their regular quota in May and June 2021. The scheme which will be along the lines of the Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY) launched during the first Covid wave last year, will cost the Centre Rs 260 bn in subsidies over and above its usual PDS subsidy bill of Rs 1.8 trillion in FY22.

85. Economic think-tank National Council for Applied Economic Research (NCAER) has estimated growth in the range of 8.4% to 10.1% for 2021-22. With this the economy will reach the level where it was in 2019 after suffering two severe Covid-19 waves. In effect, India has lost two years of growth due to disruptive impact Covid. All economists agree that economic recovery depends to a large extent, on the speed of vaccination. Another severe wave of infections would derail the economy and no amount of fiscal measures would work. The battle is on between infection, injection and invigoration.

86. UNCTAD's World Investment Report 2021 notes that, 'Global flows of foreign direct investment have been severely hit by the COVID-19 pandemic. In 2020, they fell by one third to $1 trillion, well below the low point reached after the global financial crisis a decade ago.' The report also highlights the growing trend of companies diversifying their production bases, especially from China. The report brings out that the trend towards 'more investment regulations and restrictions related to national security intensified in 2020 and the first quarter of 2021, including in reaction to the pandemic.' National security concerns about foreign ownership about critical infrastructure, core technologies or other sensitive domestic issues, was at the core of such restrictions. Security screening of investment proposals was adopted by countries, ranging from Australia, Korea, Japan to USA, UK and Canada.

87. China has cemented itself as an exporter of choice because of its ability to provide low-cost products at scale. UNCTAD notes that,' Despite significant uncertainty surrounding developments related to geopolitical and commercial tensions, multi-nationals continue to invest heavily in China, considering it an indispensable strategic market. They are also encouraged by its rising purchasing power, well-developed infrastructure and generally favourable

investment climate. Notwithstanding, in India FDI rose, pushed up by acquisitions in the Information and Communication Technology (ICT) industry, making it the fifth largest recipient in the world.

88. Agriculture has been the only sector to have clocked a positive growth of 3.4 per cent at constant prices in 2020-21, when other sectors slid. The National Statistical Office has, in its Provisional Estimates released on 31 May 21, pegged the growth in real gross value added at basic prices (previously known as GDP at factor cost) for 2020-21 at minus 6.2%. But the farm sector (agriculture, forestry & fishing) has grown by 3.6%. The share of agriculture in GDP increased to 19.9% in 2020-21 from 17.8% in 2019-20. The last time the contribution of the agriculture sector in GDP was at 20% was in 2003-04. Can the agriculture sector be a saviour again when the second wave of COVID-19 has hit India with much more intensity than the first wave? While this time, rural India has not been spared, with global commodity prices ruling high, the farmers have a chance of benefiting from the export of cotton, guar gum, maize, non-basmati rice and soybean in kharif crops. Rating agencies expect agricultural sector to grow at 3% in FY22.

89. The three farm laws enacted in September 20 were stayed by the Supreme Court on January 2021 and an expert committee was set up. The committee submitted its report to the Supreme Court on 30 March, but the matter has not been listed for hearing and the report of committee has not been released in public domain. The Centre has also not shown any urgency to negotiate with farmers. The Economic Survey 2020-21 notes that, "The three agricultural reform legislations are designed and intended primarily for the benefit of small and marginal farmers who constitute around 85 per cent of the total number of farmers and are the biggest sufferers of the regressive Agricultural Produce Market Committee regulated market regime. The newly introduced farm laws herald a new era of market freedom that can go a long way in the improvement of farmer welfare in India,"

90. Unemployment rate surged sharply during the second Covid phase. The Centre for Monitoring Indian Economy (CMIE) recently said that the 30-day moving average employment rate fell by 100 basis points on the week ended 23 May 21, denoting a loss of 10 million or one crore jobs. May 2021 saw

unemployment rate of over 10%. With the easing of restrictions, labour markets have started to improve. However, the Employment Rate has still to fully recover and is still below pre-covid times. Providing employment remains a priority area for the Government.

91. Niti Aayog's (National Institution for Transforming India) objective is to provide strategic policy vision to the government, and deal with contingent issues. Towards this aim it has, amongst many strategies, come out with 'Strategy for New India@75' in Nov 2018. However, after a GDP contraction due to the pandemic, medium to long-term prospects remain uncertain. The disruption left by the pandemic is likely to compound pre-existing challenges, including banking system weakness, tepid investment and soft demand. The government desires an increasingly self-reliant India, while also integrating more deeply into global supply chains. The recent Budget included a 35 per cent increase in government capital expenditure, focused mainly on healthcare and infrastructure development, and an intent to provide an impetus towards privatisation. Strategic disinvestment and asset monetization were also highlighted in the budget to aid private sector capital formation and competitive abilities to be part of global value chains. What measures are required to spur India's fundamental potential, catapult it to a high growth path, be an exports hub and generate jobs? With this changed situation the Prime Minister has asked Niti Aayog to work out a 'Roadmap' towards successful target accomplishment of the Aatma Nirbhar Abhiyaan, with particular focus on reinvigorating the electronics, health and agriculture sectors. The roadmap is to be submitted by 16 Jul 21.

92. Vice Chairman Niti Aayog has asked the relevant Ministries to forward their proposals to Niti Aayog by 15 Jul 21, after having incorporated inputs from associated stakeholders. A stakeholder meeting, for Niti Aayog to present the draft roadmap for discussions towards its finalisation, has been scheduled for 16 July 21.

CONDUCT OF SGE – 1

61st NDC

13-16 Jul 21

Introduction

1. At the culmination of the Understanding India and Economic Security study modules of the 61st NDC Course, a Strategic Gaming Exercise is conducted to understand the nuances of strategy formulation and policy making by Government. The game is modelled on contemporary settings, in keeping with the prevailing state of the economy, the social paradigm and the current geo-political scenario. With lectures having being conducted by Subject Matter Experts and the issues having been deliberated in Syndicate discussions, the SGE enhances assimilation by gaming a setting.

2. The Course will be divided into Syndicates representing key Ministries and other stakeholders. The course participants are expected to apply their understanding, knowledge and experience to debate and analyse the issue and evolve a strategy.

Aim

3. The aim of the exercise is to:-

(a) Provide an exposure to the participants on strategy formulation, governance issues and policy matters at the National level, factoring both socio-political and economic security aspects.

(b) Exercise strategic decision making in near real world setting.

Themes

5. The scope of the exercise encompasses two key themes:-

(a) Aatmanirbhar Bharat (Self-reliant India) initiative, limited to Agriculture, Health and Electronics manufacturing sectors.

(b) India's path to becoming a $ 5 Trillion Economy.

Objectives

6. The objectives of the Strategic Gaming Exercise are to enable participants to:-

(a) Understand nuances and challenges of strategy formulation at the National level.
(b) Comprehensive assessment of the situation.
(c) Understand inter-connected issues and their importance in building a credible strategy.
(d) Essentiality of involving all relevant stakeholders to arrive at an optimum strategy.
(e) To aid better understanding and critical thinking.
(f) Convert vision into implementable strategy.
(g) Identify and clearly state objectives and performance targets.
(h) Give participants experience in high level discussions, negotiations, while collaborating and co-ordinating to produce a pragmatic and workable economy-focussed strategy
(j) To ensure maximum participation of all course participants.

Duration

7. The game would be played from 14-16 Jul 21. In view of the prevailing Covid situation, the Game will be played online. 13 Jul 21 would be a day for preparation under guidance of the Senior Directing Staff.

Conduct

8. The game would be played as a scenario planning game with role playing by participants. The intent is to induce meaningful discussions and in-depth analysis by the various stake holders, in government and other external agencies, to arrive at a comprehensive proposed strategy. Course participants would benefit by the presence of Mentors, who are subject matter experts, and available for interaction, discussion and deliberation of issues, and for better understanding of various inter-related nuances of the subject.

9. Participants will be distributed to various Syndicates each entrusted with relevant responsibilities. Nine syndicates would be formed, in addition to the Media/Exercise Control team.

Syndicates

10. Syndicates for the SGE will be as under:-

(a) Agriculture (Ministry)
(b) Commerce (Ministry)
(c) Health (Ministry)
(d) Department of Defence Production
(e) Electronics and Information Technology(MEITY) (Ministry)
(f) External Affairs (Ministry)
(g) Niti Aayog
(h) State
(i) Industry
(j) Media/Exercise Control

Resource Facility

11. The syndicates will be guided by experienced Mentors and Senior Directing Staff.

General Guidelines

12. The game settings provide a general overview of the current situation, inherent within which are issues and aspects which should be examined and analysed by syndicates. The syndicates should not be limited to this 'Overview of the Situation' but examine the core issue holistically and put forth their solutions/strategy.

13. Achievement of Vision and goals must have a clear plan on how the end-states would be achieved. Prioritisation and making hard strategic choices would be the basis of a good strategy. Strategies must balance and integrate Ends, Ways and Means to deliver the desired objectives. Participants are strongly encouraged to keep the above in mind.

14. Presentations should be aligned to proposals/solutions rather than being heavy on past history/data. Every recommendation should be aligned to timelines – short term, medium term and long term.

15. Situation injects would be used to highlight pertinent issues and would be delivered through media broadcasts and written memorandums from Game Control.

16. Request for official meetings between syndicates should be routed to game control who would arrange for the same.

17. While Syndicate discussions and meetings would be conducted online, the main meetings - Stakeholder and Niti Aayog meeting would be held in the College. One representative each, selected by the participating Syndicate, would attend.

18. All outputs by Syndicates would be in writing, copy to Control.

Disclaimer

19. The Strategic Gaming Exercise is conceived entirely from open sources. The setting is hypothetical and meant entirely and solely for learning purposes. It does not in any manner reflect any official view or that of the National Defence College.

STRATEGIC GAMING EXERCISE(SGE) -1

SCHEDULE OF EXERCISE

13 Jul 21

Session 1		
Time	**Event**	Remarks
0930-1100	Syndicate Discussions	
1100-1130	Tea Break	
1130-1300	Discussion within Syndicates / Official Meetings	
1300-1400	Lunch	
Session 2		
1400 - 1515	Discussion within Syndicates / Official Meetings	
1515-1530	Tea	
1530 - 1700	Discussion within Syndicates / Official Meetings	

14 Jul 21

Session 1		
Time	**Event**	Remarks
0930-0945	Introduction of Mentors	
0945-1115	Discussion within Syndicates / Official Meetings	
1115-1145	Tea Break	
1145-1200	Media Clip	
1200-1300	Discussion within Syndicates / Official Meetings	
1300-1400	Lunch	
Session 2		
1400 - 1500	Discussion within Syndicates / Official Meetings	
1500-1515	Tea	
1515 - 1645	Stakeholder Meeting on '**Agriculture Sector Strategy**'	Chaired by Agriculture Secy
1645-1730	Debriefing of day's proceedings within Syndicates	

<u>15 Jul 21</u>

Session 3		
Time	**Event**	Remarks
0930-0945	Media Clip	
0945-1100	Discussion within Syndicates / Official Meetings	
1100-1130	Tea Break	
1130-1300	Stakeholder Meeting on '**Health Sector and Pharma Strategy**'	Chaired by Health Secy
1300-1400	Lunch	
Session 4		
1400-1415	Media Clip	
1415 - 1500	Discussion within Syndicates / Official Meetings	
1500-1515	Tea	
1515 - 1645	Stakeholder Meeting on '**Strategy for Manufacturing(Electronics/IT/Defence)'**	Chaired by MEITY
1645-1730	Debriefing of day's proceedings within syndicates	

16 Jul 21

Session 5		
Time	**Event**	Remarks
0930-0945	Media Clip	
0945-1045	Meeting on ‘**Export Promotion Strategy**’	Chaired by Commerce Secy
1045-1100	Tea Break	
1100-1300	Meeting at Niti Aayog - ‘**Strategy for Aatmanirbhar Bharat**’	Chaired by Vice Chairman, Niti Aayog
1300-1310	Break	
1310-1340	Concluding Remarks	
1340 - 1350	Commandant’s Closing Remarks	