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NOW, MISSION ECONOMY

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Fifty years ago, Apollo11 landed on the moon and realised the audacious goal set by the US President Kennedy in 1961 of sending a man to the moon and bringing him back safely by the end of the decade. Equally audacious is the goal set by Prime Minister Narendra Modi of increasing India's GDP from $2.8 trillion to $5 trillion in just five years.

NASA engineers asked a critical question: What are the most essential things that must be dealt with to achieve this goal? They came up with three issues: Navigation, propulsion and life-support (for the astronauts). It is equally necessary for India to identity the most critical things that it has to grapple with to achieve the $5 trillion target. These are our tax system, regulatory laws and the attitude towards the private sector.

The biggest stumbling block to achieving the $5 trillion target is that each of these factors work in their own sphere unmindful of the fact that while their actions may achieve their individual goals, they may cause serious damage to the national policy objective. Our policy is to encourage foreign direct investment but our tax laws and the tax administration are so aggressively anti-industry that most foreign investors would rather set up manufacturing units in China, Thailand or Vietnam. The tax authorities have a single-minded focus of achieving their revenue targets, and any method justifies the end. This results in the most ridiculous tax demands that lead to extensive litigation. It is a matter of serious concern that India, with less than 2 per cent of global trade, has more transfer-pricing disputes than any other country.

Our regulatory and labour laws, particularly at the state level, still require multiple licences and permits that make it very difficult to set up an industry. A large number of these laws have to be dismantled if Make in India is to become a reality. The land acquisition laws now require at least 48 months to set up a large project. The sugar industry is a classic example of the government's populist policy crippling an entire industry. No industry can survive if the state-regulated raw material price is more than the market-driven selling price of the final product.

The third factor is critical to achieving our ambitious target. There has to be a change in the attitude towards the private sector, particularly big business. We must stop treating private enterprise as a necessary evil rather than as an affirmative good. China, whose GDP equaled India's a few decades ago, is now a $13 trillion economy with almost the same population. It has become the largest manufacturing centre only because of private enterprise. Just one example shows the gap: China's garment exports in 2017 were $110 billion, while India's exports were just $17 billion.

The same story is repeated in several sectors. None of this would have been possible without the Chinese government actively and aggressively encouraging the private sector. We will have to examine what are the tax, labour and regulatory laws that have made China so successful? And how many of these incentives and policies can be replicated?

We have just five years to achieve this target. Jim Collins, the famous management guru, laments that several companies choose to ignore the "brutal facts"; so do nations, at their peril.

Several industries are in a precarious position and there is an overall slowdown of the economy. The Indian economy is in need of a serious overhaul if we are to generate large-scale employment. The failure of several "global investors" conferences is a grim indicator that India is not an attractive investment destination.

The task of achieving the $5 trillion goal has to be equally shared by states. With the same party in power in the Centre and several states, it will be easier to implement large-scale reforms that are now necessary. We have two options: To continue with the status quo of focusing on large government sponsored infrastructure and welfare schemes to drive growth, with the attendant requirement of massive borrowings or actively encourage private investment to make India the second-largest manufacturing nation. Only the second option will enable India to reach the target by 2024. The tax and regulatory laws must function in unison and must be designed to become growth oriented. If we change course, like NASA, we can achieve our ambitious goal. If we continue on the existing path, the $5 trillion dream will remain a mirage.

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