Need to adjust PLI for a few sectors, says NITI member

DHRUVAKSH SAHA
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The Centre's production-linked incentive (PLI) scheme has been fruitful for sectors like telecom and electronics, but may need adjustments and adaptation in several other sectors, NITI Aayog member and veteran economist Arvind Virmani said on Wednesday.

"The idea was good for electronics, telecom, etc. (where China accounts for over 40 per cent of the global market.) Maybe it's not so good for others, so we need to adjust and adapt it," Virmani said during his address at the National Conference on India's Industrial ransformation, organised by the Institute for Studies in Industrial Development in New Delhi.

The Centre has an outlay of ₹1.97 trillion for production driven incentives in 14 sectors, and several ministries have been reportedly working on increasing the ambit of the scheme to include more industries.

Talking about the scale of manufacturing in economies such as China, the central think tank's member said: "This PLI scheme was designed to provide an incentive to reach that scale. It's not a conventional subsidy where you keep subsidising and keep protecting. You can criticise it — I'm not saying it's perfect. But the idea was very good."

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Virmani said that industry needs to reach the minimum efficient scale (MES), otherwise they cannot compete by themselves and will need subsidies to compete.

Talking about the way forward, Virmani said that India should be an upper-middle income country in 10-15 years, and become a high-income country by 2050, which is the Centre's goal.

Virmani added that demographic decline in developed countries, India's rising share in global working population, the country's shift from an unskilled labour-intensive economy to a skilled one, diversification of supply chains, and the formation of two global economic blocs presents a new opportunity for India going forward.

"We must have FTAs (free trade agreements) with developed countries, as 60 per cent to two-thirds of world trade is through MNC (multinational corporation)-anchored supply chains," he said, adding that missing out on these opportunities is a competitive disadvantage.