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The shape of manufacturing 3.0 for Modi 3.0

What is the current state of manufacturing in India, and why is it important?

- Manufacturing has declined to 13% of GDP in 2022, down from 15% in 2014.
- This is lower than comparable markets like Vietnam (25%), Bangladesh (22%), and China (28%).
- Improving manufacturing is crucial for:
 - Creating employment for workers transitioning out of agriculture
 - Reducing India's goods trade deficit (currently \$250 billion)
 - Enhancing national security capabilities
 - Strengthening India's role in global supply chains

What are the challenges in improving India's manufacturing sector?

- Most factors of production (power, water, labor regulations, land acquisition) are controlled by state governments, not the central government.
- The central government's efforts to encourage competition among states have fallen short:
 - Business Reforms Action Plan (BRAP) rankings haven't been updated since COVID-19
 - Model industry laws for states have been underwhelming
- Focus has been on capital-intensive sectors rather than job-creating manufacturing sectors
- Access to finance: Limited availability of long-term, low-cost capital for manufacturing projects, Complex lending processes for small and medium enterprises (SMEs)
- Technological lag: Slow adoption of advanced manufacturing technologies, Limited investment in research and development
- Global competition: Intense competition from countries with lower production costs, Challenges in meeting international quality standards
- Environmental concerns: Balancing industrial growth with environmental protection, Implementing sustainable manufacturing practices
- Supply chain inefficiencies: Fragmented supplier base, Logistics challenges in reaching remote markets
- Limited scale of operations: Predominance of small-scale industries with limited economies of scale, difficulties in achieving global competitiveness

What steps should the new Indian government take to boost manufacturing?

- Provide more policy attention to state-level factors affecting manufacturing
- Develop an improved toolkit of incentives and penalties to encourage states to focus on industrial policies
- Emphasize job-creating manufacturing sectors like textiles, paper mills, and furniture
- Update and improve the Business Reforms Action Plan (BRAP) rankings
- Engage a wider set of large states beyond Delhi-Mumbai-Bengaluru circuit

How can the United States support India's manufacturing goals?

- Expand engagement with Indian states to provide guidance on economic governance
- Improve pathways for potential U.S. investors to engage with state governments
- Senior U.S. officials should visit and engage with a wider set of Indian states
- Support India's emerging role in regional security through improved industrial capabilities
- Encourage manufacturing in India to improve the viability of U.S. supply chains

Can you answer the following question?

Despite various initiatives, India's manufacturing sector has not achieved its targeted growth and continues to face multiple challenges. Critically examine the reasons for this underperformance and suggest comprehensive measures to boost India's manufacturing capabilities.

A new trend – Terrorism in state of J&K

What is the current security situation in Jammu and Kashmir, particularly in the Jammu region?

- Recent terrorist attack killed five Indian Army personnel in Badnora village, Jammu
- Fourth terror incident in the state within 48 hours
- Trend of terrorism shifting towards the Rajouri-Poonch area in Jammu. This region was quiet for over two decades after being brought under control in early 2000s

What are the key factors contributing to the recent uptick in terrorist activities?

- Redeployment of troops to the Line of Actual Control in Eastern Ladakh, creating a vacuum
- Gap in local intelligence
- Increased use of modern technology by terrorist groups

- Damaged trust between local population and the state due to botched-up security operations
- Shift towards pushing local militants to the forefront, giving insurgency a home-grown face
- Emergence of new terror groups

How has the nature of terrorism changed in the region?

- Shift from foreign terrorists crossing the LoC to local militants leading attacks
- Terrorism moving from Kashmir to the Jammu region, particularly Rajouri-Poonch area
- Increased targeting of civilians, including pilgrims
- Use of modern technology for planning and execution of attacks
- Emergence of new terror groups claiming responsibility for attacks

What measures are suggested to address the security challenges?

- Stricter adherence to standard operating procedures by security forces
- Improved operations to prevent ambushes and casualties
- Multi-layered strategy beyond just augmenting troop levels
- Quick and decisive action at the highest levels of government
- Bringing in all stakeholders to address the situation
- Addressing the intelligence gap and rebuilding trust with local population