
1. Economic Liberalisation and its Faults

Context:

- 1991-92 economic reforms marked the beginning of the end of the ‘Licence Raj’ in India. The reforms included the reduction of import duties and paved the way for foreign-manufactured goods to flow into India.
- Following this, most of the manufacturing sector was opened up to foreign direct investment.
- India’s industrial policy was virtually junked, and policymakers and the political leadership became contemptuous of the idea of self-reliance

Economic Liberalisation – a Disastrous Model:

- In the late 1980s, transnational corporations started shifting the production base to smaller companies in developing countries, especially Asia, in search of cheap labour and raw materials.
- **Developed countries supported the move because Shifting the Polluting and labour-intensive Industries suited them as long as Ownership remained with their companies.**
- Though many developing countries participated in the global supply chains, the substantial value addition in developing countries happened in a few production hubs, of which China emerged to be a major one.
- Manufacturing shifted from a decentralised production system spread across different counties to just a few locations.
- However, **countries like China defied the logic of supply/value chains ensuring substantial value addition for Themselves.**
- They **even carried out backward integration and thus emerged as global manufacturing hubs for Certain Products.**
- In the case of health products, China became the global supplier of active pharmaceutical ingredients (API), personal protective equipment (PPE), and medical Devices Diagnostics.

A Danger of Dependency:

- The resultant loss of manufacturing base has affected the ability of many governments, including of developed countries, to put up an effective response to the crisis.
- For Example, The U.K. asked the country’s manufacturers to produce ventilators in order to provide care for critical COVID-19 patients.

- Similarly, the U.S. invoked the Defense Production Act of 1950 to ramp up N95 mask production.
- This exposes the poor state of preparedness and dependence on imports for essential goods required to meet the challenge of any major disease outbreak
- This shows that what is good for the company may not be good the country in all circumstances. So, the overwhelming objective of private sector-led economic growth has proved to be disastrous.

How India had affected by the Economic Liberalisation:

- In India, economic liberalisation has damaged the government's capacity in two ways. First, **it incapacitated the government to respond to emergencies based on Credible Information.**
- The dismantling of the 'Licence Raj' resulted in the elimination of channels of information for the government, which is crucial to make informed policy choices
- Second, the logic and policies of economic liberalisation seriously undermined the manufacturing capabilities of health products in India.
- The short-sighted policy measures, with the objective of enhancing profitability of the private sector, **allowed the import of raw materials from the cheapest sources and resulted in the debasing of the API industry, especially in essential Medicine.**
- According to a report of CII, **nearly 70% of India's API import is from China.** The disruption in the supply of API due to the COVID-19 outbreak has impacted the production of not only medicines required for COVID-19 patients, but also of other essential medicines in India.
- Similar dependence exists with regard to PPE, medical devices and diagnostic kits. The 100% dependence on Reagents, an important chemical component for testing, is limiting the capacity of the government from expanding testing because the cost of each test is ₹4,500.
- Dependence on imports affects the ability of Indian diagnostic companies to provide an affordable test for all those who want to test for COVID-19
- Global supply/production chains not only destroyed the manufacturing base in developed and developing countries; they also resulted in loss of jobs and poor working conditions in these sectors.

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- Developing countries were asked to ease their labour protection laws to facilitate global production and supply chains popularly known as global value chains.
 - As a result, people were forced to work in precarious working conditions without any social security net.
 - This created an unorganised army of labourers and is preventing many developing country Governments from effectively offering relief.

Source: The Hindu

