

Prime Minister **Narendra Modi** believes India can still achieve \$5 trillion economy target by 2024 despite Covid-19. In his first interview, after the outbreak of the pandemic, the PM says his reforms drive will continue but states must also compete to attract investment.

It's been seven months since India launched its fight against coronavirus through the first lockdown in March. What's your assessment on how we have fared?

I am sure we all agree that this virus is something unknown, nothing like what has happened earlier in the past. So, while tackling this new unknown enemy, our response also evolves. I am no health expert but my assessment is based on numbers. I think we should assess our coronavirus fight against the metric of how many lives we are able to save. Our case-fatality ratio is among the lowest in the world and the deaths per million is much lower than what is seen in many developed nations.

The virus is proving to be very fickle. At one time, some places like Gujarat were seen as hot spots while the situation seemed to be under control in Kerala, Karnataka etc. After a few months, things have improved in Gujarat but turning for the worse in Kerala. This is why I feel there is no room for complacency. I stressed the same in my recent message to the nation on October 20 that the only way forward is to take precautions such as wearing mask, hand washing and social distancing because 'Jab tak dawai nahin, tab tak dhilai nahin.'

But has it broadly panned out the way you expected or have you had to improvise and innovate constantly?

We decided to be proactive and introduce a timely nationwide lockdown. When we introduced a lockdown, the total number of cases was in a few hundreds, unlike many countries that adopted a lockdown when the cases were in the thousands. We imposed lockdown at a very critical point in the pandemic trajectory.

We not only got the broad timing of various phases of lockdown right, we also got the unlock process right and much of our economy is also coming back on track. The data for August and September indicates that.

India followed a preemptive, proactive, graded, whole-of-government and whole-of-society approach to tackle the pandemic. India has taken a science-driven approach in response to Covid-19 pandemic in the country. Such an approach proved beneficial. Studies now show that this response helped avoiding a situation which could have led to rapid spread of the virus with many more deaths. In addition to the timely lockdown, India was among the first countries to mandate wearing of masks, use a contact-tracing app and deploy rapid antigen tests. For a pandemic of this dimension, it would not have been possible to manage if the country was not united. The entire country stood together to fight this virus. The Covid warriors, who are our frontline healthcare workers, knowing well the threat to their life, fought for this country.

What's your biggest learning?

One positive learning in the past few months has been the significance of delivery mechanisms that reach the last mile. Much of this delivery mechanism was built in the first term of our government and it has helped us immensely in facing this once-in-a-century pandemic. I will give just two examples. First, through the Direct Benefit Transfer regime, we were able to transfer cash straight to the bank accounts of millions of people almost instantly. This entire infrastructure to enable this was built in the last six years. Earlier, even in relatively smaller natural calamities, relief did not reach the poor and there was massive corruption. But we were able to reach relief on a massive scale to people in a very short time, without any complaints of corruption. That is the power of technology in governance. To give a contrast, perhaps you could enlighten your readers on how India fared during the smallpox epidemic in the 1970s.

And second, the behavioural change that a billion-plus people had adapted to in such a short span of time — wearing masks and maintaining social distance — is a world model of public participation without any coercive enforcement. Our biggest learning is that a whole-of-government and whole-of-nation approach can meet any challenge. Union and state governments have been working in a seamless manner as one team, public and private sectors have come together, all ministries converged to shoulder diverse responsibilities, and peoples' participation ensured a united and effective fight.

What's your assessment of the state of spread of Covid-19 in India?

The pro-active measures taken in the early stages of the virus has helped us prepare our defences against the pandemic. Though, even one untimely death is extremely painful, for a country of our size, openness, and connectivity, we have among the lowest Covid-19 mortality rates in the world. Our recovery rate continues to be high and our active cases are significantly falling. From a peak of almost 97,894 daily cases in mid-September, we are reporting only around 50,000 new cases in late October. This has been made possible because entire India came together and worked as Team India.

Recent trends suggest a bending of the curve both in active cases and fatalities, raising hopes that the worst may be behind us. Do you also share this view, based on data available with the government?

This is a new virus. Countries which had initially controlled the outbreak are now reporting a resurgence. The geographical spread of India, population density, the regular social gatherings must be kept in mind when we look at these numbers and seek to compare with others. Many of our states are larger than countries. Within the country, the impact is very diverse — there are some areas where it's minimal, while there are some states where it's very focused and persistent. Yet it must be kept in mind that in a country with more than 700 districts, the impact is seen only in some districts of a few states. Our latest numbers of new cases, mortality rate and total active cases do indicate a lower phase than some time ago, yet we cannot be complacent. The virus is still out there. It thrives on our complacency. I believe we should use this phase of slowing down of cases not to celebrate, but further strengthen our resolve, our behaviour and our systems. I feel that our response should be focused on increasing capabilities to handle the situation, make people more aware, create more facilities etc in keeping with the dictum 'Hope for the best but prepare for the worst'.

The Covid-19 pandemic has had a debilitating impact on the economy, which you have sought to address by aiming to strike the right balance between lives and livelihood. How successful do you think the government has been in this endeavour?

It has been more than seven decades since we got Independence, but still some people have the colonial hangover that people and governments are two different entities. The perception that this calamity has fallen on the government emanates from this mindset. The pandemic has affected 130 crore people and both the government and the citizenry are working together to combat it.

Since the time Covid-19 started, it was frightening to witness scores of people dying in various countries all over the world. Their health systems were crumbling under the sudden load of patients. Both old and young were dying indiscriminately. At that point, our aim was to avoid a similar situation in India and to save lives. This virus was like an unknown enemy. It was unprecedented.

When one is fighting an invisible enemy, it takes time to understand it and evolve an effective strategy to counter it. We had to reach out to 130 crore Indians and make them aware of the dangers we are facing from the virus and the manner in which we could save ourselves and our family members. It was a very challenging task. It was important to awaken Jan Chetna. Awakening of Jan Chetna becomes possible only through Jan Bhagidari. Through Janata curfew, signifying the collective national resolve by banging of thalis or by coming together by lighting lamps, we used Jan Bhagidari to bring all Indians on one platform. This is an incredible example of mass awareness in a short span of time.

And what was the economic strategy?

Saving lives was not limited to saving lives from Covid-19. It was also about providing enough food and essentials to the poor. Even when most of the experts and newspapers were asking the government to release an economic package for the corporate sector, our focus was to save lives among the vulnerable populations. We first announced PM Garib Kalyan package to alleviate the suffering of the poor people, the migrants, farmers. Free foodgrain

and pulses to 800 million people for eight months is a programme without parallel in human history. One special insight and understanding that came early to us was that the agriculture sector is one where the rule of social distancing can be more naturally maintained without compromising on productivity. So, we allowed agriculture activities almost from the very start. And we all see the results today with this sector doing exceptionally well despite so many months of disruption. Record distribution of foodgrain, Shramik Special trains and proactive procurement were undertaken for both the immediate and medium-term needs of the people. To ameliorate the hardships being faced by people we came up with an Atmanirbhar Bharat package. This package addressed issues being faced by all sections of the society and all sectors of the economy. This also provided us an opportunity to carry out reforms that were waiting to happen for decades but no one earlier took the initiative. Reforms across sectors such as coal, agriculture, labour, defence, civil aviation and so on have been undertaken which will help us get back on the high growth path that we were on before the crisis. Our efforts are bearing result as the Indian economy is already getting back on track faster than expected.

Your government has initiated two key second-generation reforms — the farm and labour reforms. How optimistic are you of these initiatives delivering the desired economic dividend, especially in the light of overall economic slowdown and political opposition?

Experts have been advocating these reforms for a long time. Even political parties have been asking for votes in the name of these reforms. Everyone desired that these reforms should happen. The issue is that the opposition parties do not wish that we get the credit. We also don't want credit. We brought reforms keeping in mind the welfare of farmers and workers. And they understand and trust our intentions because of our track record. We have gone about reforming the agriculture sector step by step in the past six years. So what we have done today is one piece in the chain of actions that we started in 2014. We also hiked MSPs multiple times and in fact, we

procured many times more from farmers at MSP than earlier governments did. Both irrigation and insurance saw huge improvement. Direct income support was ensured for farmers. What has been lacking in Indian farming is commensurate return for all the blood and toil put in by our farmers. The new structure brought by these reforms will significantly increase the profitability of our farmers. As in other industries, once the profits are earned, it is reinvested back in the sector for generating more produce. A virtuous cycle of profit and reinvestment emerges. In the farming sector as well, this cycle will open doors for more investment, innovation and new technology. Thus, these reforms hold immense potential to transform not just the agriculture sector but the entire rural economy. On MSP, in the just completed Rabi marketing season, the Central government has procured 389.9 lakh MT of wheat, an all-time record, with 75,055 crore going to farmers as MSP. In the ongoing Kharif marketing season, up to 159.5 lakh MT of paddy has been procured, compared to 134.5 lakh MT at the same point last year, an increase of 18.62%. All this happened after we brought the three ordinances, which have now been passed by Parliament. MSP payment to farmers for paddy has gone up by 1.5 times, wheat by 1.3 times, pulses by 75 times and oilseeds by 10 times during the last five years compared to five years of UPA-2 (2009-10 to 2013-14). This proves the lie and dishonesty of those who are spreading the canard about MSP.

And what about labour reforms?

These reforms are very pro-worker. They are now entitled to all benefits and social security even if hired for fixed term. The labour reforms will help create significant employment while also protecting the worker by ensuring minimum wage reforms, provision for social security for workers in the informal sector, and minimising government interference. It will ensure timely payment of wages and give priority to occupational safety of the workers, thus contributing to a better working environment. In the last few weeks, we have finished what we had set out to do. The 44 central labour laws with over 1,200 sections have been assimilated into just four codes. There will now be just one registration, one assessment and one return filing. Along with easier compliance, this will lead to a stable regime for

businesses to invest and create a win-win situation for the employee and the employer.

For manufacturing sector, in the last six years, we have taken a number of reform measures from cutting down corporate tax rate to 15% for new manufacturing units to raising FDI limits and allowing private investment in strategic sectors like space, defence and so on. Essentially, reforms for the manufacturing sector were in place with one piece of the jigsaw remaining — the labour reforms. We have done that as well. It was often jokingly said India had more labour laws than labour in the formal sector. Labour laws often helped everyone except the labour. Holistic growth cannot happen until India's workforce gets the benefits of formalisation. I am confident that these reforms undertaken in the last few months will help increase the growth rate and returns in both the manufacturing and agriculture sectors. Moreover, it will also signal to the world that this is a new India which believes in markets and market forces.

One criticism is that the flexibility to lay off employees has been extended to factories employing up to 300 people. But giant factories in electronics, garments and other sectors employ many more. Why not extend this flexibility to all factories while sharply increasing compensation for those laid off? Also, what are your views on the criticisms around curtailment of the right to strike?

India was suffering from a twin problem: Our labour laws were such that most workers did not have any social security. And companies did not want to hire more workers for the fear of labour laws, which disincentivised labour-intensive production. The inspector-raj system and complicated labour laws had a strong deterrent effect on employers. The four labour codes are meant to address the welfare of labour while ensuring ease of doing business for the industry. We need to come out of the mindset that industry and labour are always in conflict with each other. Why not have a mechanism where both benefit equally? Since labour is a concurrent subject, the law gives flexibility to state governments to modify the codes further as per their unique situation and requirements. The right to strike has not been curtailed at all. In fact, trade unions have been conferred with a new right, enabling them to get statutory recognition.

We have made the employer-employee relation more systematic and symmetrical. The provision of notice period gives an opportunity for amicable settlement of any grievance between employees and employers.

The GST system has come under considerable stress from Covid-19. The Centre has for now agreed to borrow money and pass on to states. But looking ahead, how do you foresee the situation for state governments?

The last six years have seen the spirit of competitive and cooperative federalism in all our actions. A country as large as ours cannot develop only on the one pillar of the Centre, it needs the second pillar of states. The fight against Covid-19 also got strengthened because of this approach. Decisions were taken collectively. I had video-conferences with CMs multiple times to hear their suggestions and inputs, which has no parallel in history. On the GST, this is by all accounts an extraordinary year. Most assumptions and calculations did not take into account a once-in-a-century pandemic. Yet, we have proposed options to move forward and most states are fine with them. A consensus is evolving.

You have been a chief minister for many years. What kind of collaboration do you propose with states on the economic side in the current context?

It's important to remember that the Centre-state relationship is not limited to GST. Despite the pandemic and the fall in gross tax revenue, we have provided enhanced resource transfers to states. Between April and July, the sum total of devolution of taxes plus grants-in-aid to states, including centrally sponsored schemes, increased by 19% to 4.06 lakh crore from 3.42 lakh crore in the same period last year. In short, while our revenues fell, we sustained the flow of funds to states. In view of the Covid-19 pandemic, the central government also allowed additional borrowing limit of up to 2% of Gross State Domestic Product (GSDP) to states for the year 2020-21. This amounted to 4.27 lakh crore being made available to states. The Centre has already granted permission to states to raise the first 0.5% in June 2020. This made an additional amount of 1,06,830 crore available to states. On the request of states, the limit of using

the State Disaster Response Fund (SDRF) has been increased from 35% to 50%. This was done to ensure more finances with states to fight Corona.

Many argue that the Centre passes its troubles to states. Your thoughts?

Let me give you an example of what used to happen earlier. When VAT replaced the CST under the UPA government, they had promised to compensate states for any revenue shortfall. But you know what UPA did? They refused to compensate states despite their commitment. Not just for one year but continuously for five years. This was one of the reasons why states did not agree to GST regime under UPA. Despite the fact that it was a different government which made that commitment, we took it upon ourselves to clear those dues when we assumed power in 2014. This shows our approach to federalism.

The government's critics have said India ended up high on both columns — number of infections and economic contraction. How do you respond to such criticism?

There are some people who are so intelligent that they use absolute number of cases to compare our country with other countries which have population similar to our states. However, I expect The Economic Times to do better research and not regurgitate such arguments. While looking at our current numbers, we should also look at what kind of huge numbers were forecast by experts in March. Critics want to deny people the credit for their tremendous fight against Covid-19 in order to discredit the government.

What are the five economic parameters you would point to as clear indicators of a bounce back? Specifically, what kind of a rebound do you expect next year?

We are on our way to economic recovery. Indicators suggest the same. First, in agriculture, as I said earlier, our farmers have broken all records and we have also done record procurement at the highest ever levels of MSP. These two

factors — record production and record purchase — are going to inject significant income in the rural economy which will have its own virtuous cycle of demand generation. Second, record high FDI inflows indicate India's growing image as an investor friendly country. This year, despite the pandemic, we received the highest ever FDI of \$35.73 billion for April-August. This is 13% higher than the same period last year, which was also a record year. Third, auto sales along with tractor sales are either reaching or surpassing previous year levels. This indicates a strong resurgence in demand. Fourth, a steady recovery in the manufacturing sector helped India climb two notches to the third position among key emerging markets after **China** and Brazil in September. The manufacturing growth is reflected in the first year-on-year rise in exports in seven months. E-way bills and GST collections growth has also been healthy. Finally, in terms of new net subscribers of EPFO, the month of August 2020 registered a 34% jump compared to July 2020 with addition of more than a million new subscribers. This shows that the job market is picking up. Other than that, foreign exchange reserves have touched a record high. Key indicators of economic recovery like railway freight traffic increased by more than 15% and power demand by 4% in September over the same month last year. This shows that recovery is broad based. Plus, Aatmanirbhar Bharat announcements are a big stimulus to the economy, particularly to small businesses and the informal sector. I feel the big push on Investment and infrastructure will become the driving force for recovery and growth.

What's your plan for further stimulus?

We will take all measures needed to constantly stimulate the economy in a timely manner while ensuring overall macro-economic stability. Remember, we are still not over with the pandemic. Yet, our economy has shown a remarkable capability to bounce back, largely because of the resilience of our people. This is something which is not captured in these numbers, but is the reason behind those numbers. The shop-owner, the trader, the person running a MSME, the person working on factory floor, the entrepreneur, all these are the heroes responsible for the strong market sentiment and revival of the economy.

You seem to believe that India can still emerge as a major world hub for manufacturing, especially by becoming part of global supply chains at a time when companies are looking to de-risk their exposure to China. What is the progress in this regard? Can India emerge as a credible alternative to China in global supply chains?

India has not started speaking about manufacturing only after the pandemic. We have been working on increasing manufacturing for sometime now. India is, after all, a young country with a skilled workforce. But India doesn't believe in gaining from the loss of others. India will become a global manufacturing hub on its own strengths. Our effort is not to become some country's alternative, but to become a country which offers unique opportunities. We want to see the progress of all. If India progresses, 1/6th of humanity will progress.

We saw how a new world order was formed after World War II. Something similar will happen post Covid-19. This time, India will ride the bus of manufacturing and integrating in global supply chains. We have specific advantages in the form of democracy, demography and demand.

So, what are the policy measures you propose to enable India take this giant leap?

India's pharma sector, during the past few months, has already demonstrated the way ahead. India has emerged as a key player in global pharma supply chains. We have become the second largest manufacturer of PPE kits in a very short duration. India is also making a mark in manufacturing technologically advanced items like ventilators and from almost negligible capacity earlier, we are now manufacturing thousands of ventilators in quick time. From independence till the pandemic started, around 15-16 thousand ventilators in working condition existed in government hospitals across India. Now, we are moving rapidly towards adding another 50000 ventilators these hospitals.

Now, that we have successfully established this model. We can emulate it in other fields. Our recently launched production-linked incentive (PLI) schemes for mobile manufacturing, pharmaceutical and medical devices are good

examples of this focused and targeted approach to attract internationally reputed investors to create capacities with global scales and competitiveness, as well as make India their export hub. In the mobile phone segment alone, it's expected that production worth over 10 lakh crore will take place over the next five years, of which 60% will be exports.

There is fear in some quarters that the Aatmanirbhar initiative marks a return to the days of autarky. Some say there is a contradiction between India seeking to become part of global supply chains while restricting imports. Your views?

It's not in the nature of India or Indians to be inward looking or self-centered. We are a forward-looking civilization and a vibrant democracy that looks to interact with other countries to build a better world. Aatmanirbhar Bharat is not just about competition but also about competence, it's not about dominance but about dependability, it's not about looking within but about looking out for the world. So, when we say Aatmanirbhar Bharat, we mean an India that is, first of all, self-reliant. A self-reliant India is also a reliable friend for the world. A self-reliant India does not mean an India that is self-centred. When a child reaches the age of 18, even the parents tell him or her to become Aatmanirbhar. This is natural.

Today we are using our aatmanirbharta to help the world in the medical field. For instance, we are producing vaccines and drugs without increasing costs or putting restrictions. A relatively poor country like ours incurs a huge cost to educate doctors, who are today spread across the globe, helping humanity. We never stopped them from migrating. When India becomes Aatmanirbhar in a certain field, it always helps the world. If someone doesn't understand the ethos and spirit of India, they won't understand this concept.

So, there's no contradiction?

Confusion among experts is not necessarily a contradiction in our approach. We have just eased restrictions for FDI through reforms like you see in agriculture, labour and coal. Only a country that believes in the power of

international trade and commerce would go on opening up more and more avenues to work with the world. At the same time, it's also true that India has been unable to realise its potential in sectors where it has inherent comparative advantages. Take coal for instance. India imported nearly 1.5 lakh crore worth of coal in 2019-20, despite having one of the biggest reserves in the world. Defence is another area of import dependence for us. While we have increased the FDI limit from 49 to 74%, domestic production for 101 items worth 3.5 lakh crore over the next five years has also been announced. We have given a fair chance to those who have invested in India, shown their trust to expand their capacities and become globally competitive. The Aatmanirbhar Bharat initiative is about unlocking India's latent potential, so that our firms can serve not just domestic markets, but also global ones.

It appears from government assessments that FTAs have not worked in India's favour. We also walked out of RCEP. How has your thinking evolved on subject? Do you think we should pursue FTAs at all?

The guiding principle behind International trade is to create win-win solutions for all countries involved. And I am told by experts, that ideally trade deals should be global and multilateral through the WTO. India has always adhered to global trade rules and stood for a free, fair, equitable, transparent and rules-based international trading system, which should fulfil the intended developmental objectives and aspirations of developing countries, as envisaged under the WTO. In the past, while opening our markets, we also signed 10 free trade agreements (FTAs) and 6 preferential trade agreements (PTAs). The assessment of existing FTAs should happen on the metric of how they have benefited for India and not on the basis of ideological standing. We gave preferential access to our large market under our FTAs. However, our trading partners have not always reciprocated with the same treatment. Our exporters have often faced ill-intended non-tariff barriers. For example, while our trading partners can export steel to India, few trading partners don't allow the import of Indian steel. Similarly, Indian tyre manufacturers are unable to export due to technical barriers. While India remains committed to openness and transparency in trade, it will use the measures and instruments at its disposal in ensuring free and fair access for its exporters.

In the case of RCEP, India made its best efforts for a final conclusion. We wanted a level playing field based on fair trade practices and transparency. We expressed serious concerns over non-tariff barriers and opaqueness of subsidy regimes in some RCEP countries. India took a considered position not to join RCEP, highlighting the fact that the current structure did not reflect RCEP guiding principles nor address outstanding issues.

India is keen to be part of global value chains and wants to do trade deals but they have to be fair and non-discriminatory. Moreover, since India would be providing access to a large market, the agreements must be reciprocal and balanced.

India has emerged as a major producer of PPE and masks. Pharma has emerged as a strategic sector. Going forward, how do you strengthen our advantage in this area?

We realised at the start of the pandemic that we were dependent on imports for PPEs. The problem aggravated after countries imposed lockdowns, which affected manufacturing, resulting in disruption of global supply chains. This essentially meant that the country was to quickly think of ways to become self-reliant in the time of crisis. We followed a very focused hands-on approach, identifying and sourcing each and every raw material for this purpose. We worked 24x7 with the industry and state governments to meet the objective of making and procuring PPE Kits, N-95 masks, ventilators, diagnostic kits etc. Once these issues were sorted, indigenous production started and orders were placed on domestic manufacturers for procurement. India is now in a position where we are not only meeting our domestic demand but are also capable of meeting the demand of other countries. India lived up to its name of being the Pharmacy of the World in the last few months, supplying drugs and medical equipment to around 150 countries. The Indian pharma sector has a size of about \$38 billion. To strengthen this advantage, government has approved an outlay of 1,40,00 crore for production of medical devices and active pharmaceutical ingredients. Bulk drug parks and medical devices parks are being created for attaining global leadership position.

We have shown the world that we have scale, sensitivity and reliability in the pharma sector and it will only go from strength to strength from here.

A vaccine is likely to become available next year. Is there some thinking on distribution and priorities in terms of who will be vaccinated?

First and foremost, I would like to assure the nation that, as and when a vaccine becomes available, everyone will be vaccinated. None will be left behind. Of course, initially we may focus on protecting the most vulnerable and the frontline workers. A National Expert Group on Vaccine Administration for Covid-19 Vaccine has been constituted to chart the way forward. We should also realise that vaccine development is still work in progress. Trials are on. Experts can't say what the vaccine will be, its dosage per person, periodicity or how it's to be administered etc. All this, when finalised by experts, will also guide our approach on taking the vaccine to citizens. On logistics, more than 28,000 cold chain points will store and distribute Covid-19 vaccines to ensure they reach the last point. Dedicated teams at state, district and local levels will see to it that the vaccine distribution and administration is done in a systematic and accountable manner. A digital platform to enroll, track and reach the beneficiaries is also being prepared. We are confident that once we have the vaccine, we can reach every person in India in a very quick time.

Given the setback on account of Covid-19, where do we stand on the target of becoming a \$5 trillion economy by 2024?

Most people who are pessimistic remain in doubt. If you sit among them, you will hear only things of despair and despondency. However, if you discuss with optimistic people, you will hear ideas and suggestions on how to improve. Today, our country is optimistic of the future, it is optimistic of reaching the \$5 trillion target. And this optimism gives us confidence. Today, if our Corona Warriors are working 18-20 hours to serve patients, it also inspires us to put in more hard-work. So what if we could not move at the desired pace this year due to the pandemic! We will try and run faster in the next year to make up for the loss. Nothing great ever gets done if we get deterred by obstacles in our path. By not aspiring,

we guarantee failure. India is the third largest economy in terms of purchasing power parity. We want India to become the third largest in terms of current US dollar prices as well. The \$5 trillion target will help us achieve that. Also, our government has a track record of meeting our targets. We met the rural sanitation target before the deadline, we met the village electrification target before the deadline, we met the 8 crore Ujjwala connections target too well before the deadline. So, going by our track record and continuing reforms, people also have confidence in our abilities to reach the target.

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