

Eco Survey maps *swadeshi* path to strategic resilience, indispensability

➤ EXPECTS GDP TO GROW AT 6.8-7.2% IN FY27 AMID MACROECONOMIC STABILITY

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India must move beyond defensive self-reliance and position itself as a systemically important node in global supply chains, aiming not merely for resilience but also for strategic indispensability, the FY26 Economic Survey argued, placing *swadeshi* at the heart of a broader shift in state strategy.

“The nature of the global system has changed. Trade is no longer reciprocal. Markets are no longer neutral and supply chains have instruments of state power. *Swadeshi* is a legitimate policy instrument in such a world,” said Chief Econ-



“WE ARE MOVING FAST ON THE REFORM EXPRESS... THE COUNTRY IS MOVING OUT OF LONG-TERM PENDING PROBLEMS TO A LONG-TERM SOLUTION POSITION NOW AT A GREAT PACE”

Narendra Modi, Prime Minister

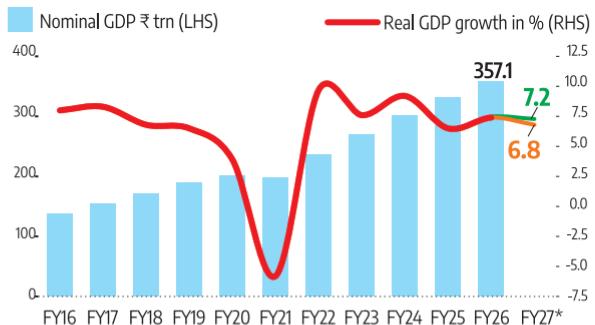
omic Advisor (CEA) V Anantha Nageswaran at a briefing on Thursday after the Survey was tabled in Parliament.

India “should not be squeamish about swearing by *swadeshi* in

➤ SAYS ₹ ‘PUNCHING BELOW ITS WEIGHT’, GEOPOLITICS SHAPING CAPITAL FLOWS

Bright outlook

Economic Survey expects growth to stay resilient in FY27



PE: Provisional Estimate; FAE: First Advance Estimate (PE) (FAE)

*Economic Survey projection

this kind of global environment”, he asserted. The Survey went one step further and reframed the debate altogether, declaring that the policy question is no longer “whether the state should en-

courage *Swadeshi*, but how it should do so without undermining efficiency, innovation, or global integration”.

India, the Survey posited, has done well so far in an uncertain

world due to its strong macroeconomic fundamentals, a calibrated fiscal strategy that prioritised capital expenditure while steadily consolidating deficits and debt. It projected the economy to grow in the range of 6.8 to 7.2 per cent in FY27 from an estimated 7.4 per cent in FY26, with macroeconomic stability, reforms, and domestic demand providing support.

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In a fragile world

The Survey also upgraded the country’s medium-term potential growth rate to 7 per cent, from the 6.5 per cent estimated in the FY23 Economic Survey, reflecting the cumulative impact of policy reforms over recent years.

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“With domestic drivers playing a dominant role and macroeconomic stability well anchored, the balance of risks around growth remains broadly even. The outlook, therefore, is one of steady growth amid global uncertainty, requiring caution, but not pessimism,” the Survey said.

At the core of the document is the assertion that India’s development challenge has moved beyond simply absorbing shocks. The task now is to build capabilities that make the economy integral to global production and financial systems — a shift the survey described as a journey from “strategic resilience” to “strategic indispensability”. “India’s long-term success will depend on its ability to integrate into GVCs (global value chains) as a high-tech, high-productivity manufacturing hub supported by stable and innovation-friendly policies,” it said.

This requires a recalibration of industrial strategy. The Survey argued that the next phase of industrialisation must move away from a model largely centred on import substitution towards one focused on scale, competitiveness and innovation. “Rather than seeking complete self-reliance in every segment, India needs to build strategic resilience through diversification and creating depth of capabilities. MSMEs will be crucial in this journey, evolving from micro-scale production toward deeper participation in formal and export-linked supply chains,” it further said.

The Survey appeared to be blunt about the risks emanating from abroad. If the artificial intelligence (AI) boom fails to deliver the productivity gains investors are pricing in, it warns, asset prices could correct sharply, triggering wider contagion. Protracted trade conflicts would further drag on global investment and growth. For India, these risks manifest as “external uncertainties rather than immediate macroeconomic stress”,

particularly through weaker export demand, tariff-driven trade disruptions and volatile capital flows.

Still, the Survey expected domestic reforms to power through. The crisis years, it argued, were used to accelerate GST rationalisation, deregulation and compliance simplification. FY27 is expected to be a year of “adjustment” as firms and households adapt to these changes, with investment gradually strengthening.

In a sharply worded preface, the chief economic advisor (CEA) argued that the rupee “is punching below its weight” given India’s macroeconomic fundamentals. While an undervalued currency can help offset higher US tariffs, it also “causes investors to pause”. While capital flows are increasingly shaped by geopolitics rather than neutral markets, leaving the rupee more exposed to global realignments, the CEA stressed that “investor reluctance to commit to India warrants examination”.

India’s persistent current account deficits mean it must “pay a risk premium to global capital”. The longer-term challenge, the survey said, is to turn India into a surplus-generating economy — through higher productivity, stronger exports and deeper financial markets — so that its cost of capital falls on a durable basis.

One of the Survey’s central arguments was that India cannot rely on services exports alone to achieve external resilience. While services are valuable, they “do not systematically compel broad upgrades in state capacity”, because successful firms can often bypass domestic bottlenecks. Manufacturing, by contrast, places fiscal, logistical and employment pressures on the state, forcing institutional improvements.

The recently finalised India-European Union free-trade agreement is cited to underline this point. The survey argued that the deal expands market ac-

cess for labour-intensive exports and integrates India more deeply with Europe’s manufacturing and technology systems. Realising this potential, however, depends on building competitive production capabilities at home — a theme to which the Survey repeatedly returned.

Among its bold but contentious proposals was a reform to the Companies Act to amend the definition of a “government company”. Under the proposal, listed central public sector enterprises (CPSEs) with as little as 26 per cent government ownership would retain that status, preserving special-resolution rights while allowing deeper disinvestment. As an alternative, the government could pursue phased stake sales below 51 per cent without changing the law, enabling professionally managed CPSEs with dispersed ownership to emerge. Part of the proceeds, the Survey suggests, could be channelled into NIIF (National Investment and Infrastructure Fund)-like platforms investing in technology and innovation.

The most candid section of the document is its assessment of state capacity. India’s binding constraint, it argued, is no longer a lack of ideas or resources but the institutional incentives that shape decisions under uncertainty: Bureaucratic risk aversion, weak regulatory design and a private sector inclined to seek protection rather than compete. Poor outcomes, it said, stem not from lack of intent but from “deficiencies in the State’s ability to translate decisions into sustained and reliable action”.

A disciplined, capability-focused swadeshi — centred on innovation, MSME scaling, competitive manufacturing and institutional reform — is presented as the bridge between resilience and indispensability. India, the survey concluded, must pursue import substitution, resilience and indispensability at the same time, like “running a marathon as if it were a sprint”.