

Manufacturing plan requires rejig to anchor India in GVCs

Survey calls for continued tariff rationalisation to boost competitiveness

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India needs a manufacturing strategy focused on scale, competitiveness, innovation and deeper integration into global value chains (GVCs), the Economic Survey said, highlighting manufacturing as a strategic national asset amid geopolitical uncertainty and rapid technological change.

Chief Economic Advisor V Anantha Nageswaran said the sector was central to employment, productivity, technological learning, exports and strategic resilience, and therefore required a mission-oriented approach moving beyond the reliance on incentives. He emphasised the need to support manufacturing across components, systems, and design- or IP-intensive activities.

“Manufacturing competitiveness and exports are important for maintaining long-term currency stability and strength. Moreover, when the security of supply of essential and infrastructure goods is no longer assured, manufacturing takes on a far greater strategic dimension,” he said in the preface of the Economic Survey, noting the criticality of the just concluded India-EU FTA.

The CEA added that competitiveness would hinge on innovation, skilling, infrastructure, logistics and micro, small and medium enterprises (MSME) scaling to establish India as a high-productivity manufacturing hub. Strategic resilience through diversification and deeper capabilities would require increased private sector investment in research and development (R&D), technology adoption, skills and quality systems, the Survey said, underscoring the



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importance of MSMEs in export-linked supply chains. It added that an estimated ₹8.1 trillion remains locked in delayed payments, adversely affecting MSME working capital and constraining growth.

For deeper GVC integration, the Survey proposed reimagining the cluster model through a three-pronged strategy. These include identifying and anchoring large, high-potential regions in well-connected brownfield locations, empowering institutional mechanisms such as the International Financial Services Centres Authority (IFSCA) at GIFT City to ensure regulatory certainty and flexibility, and involving private developers to masterplan, build and operate core infrastructure to ensure market responsiveness and efficiency.

The Survey identified advanced manufacturing as a key opportunity for raising productivity and

strengthening export competitiveness, and its inclusion in the National Manufacturing Mission strategy.

With global manufacturing still anchored in China's scale and integrated industrial systems, lowering the cost of capital for upstream, capital-intensive inputs would be a more efficient way to enhance downstream competitiveness, the CEA noted.

The Survey also called for continued tariff rationalisation, particularly for intermediates and capital goods, to improve cost competitiveness and deepen GVC integration.

“Modern logistics infrastructure, under the PM GatiShakti initiative, regulatory simplification, and a focused industrial cluster strategy — anchored in scale, supplier depth, skills, and shared infrastructure — will be vital for expanding manufacturing beyond existing enclaves,

especially in Tier-II and Tier-III cities,” the Survey said.

While services exports have outpaced goods exports, having done much of the heavy lifting, creditable and macro-stabilising, they cannot substitute for goods-based export ecosystems that underpin durable external and currency stability, the CEA said, adding that manufacturing allows for institutional and state growth.

Putting the onus on government as the key exogenous factor, the Survey said authorities must frame laws, set rules, rationalise taxes and tariffs, price utilities appropriately, grant approvals and licences within reasonable timeframes, and incentivise indigenisation without sacrificing efficiency or competitiveness.

It also called on states to act as co-owners of national manufacturing priorities.