

Industrial and manufacturing policies witness a revival

India has expressed its intention to revive its industrial policy on a full scale since the Second Five-Year Plan (1956-1961). The manufacturing sector is already receiving benefits through the 'Make in India' initiative clubbed with increased coverage of smaller firms and big companies under the Production Linked Incentive (PLI) scheme. The Union Government recognized the significance of increased competitiveness of exports through the examples of South Korea, Taiwan, and Vietnam with their core influences remaining on consolidating their domestic manufacturing sector. Through PLI and Make in India, the government has continuously invested in electronics, automobile accessories, and engineering divisions which will reap benefits only in 10 years' time. This is very much required given the high imports of products from these sectors that India has to make every year thereby deeply impacting its foreign exchange reserves. Concerns regarding unemployment will also be addressed if more and more manufacturing of products could be done within India.

When the world trade grows at 1.75% (for 2023), many nations have decided to reduce their reliance on China for various products. The slump in China's economic growth paired with inflationary spikes in food and fuel prices has forced a reduction in overall exports. If India needs to capture the market, then it would have to structure its bilateral agreements (predominantly FTAs) in a manner that largely includes complementarity between the signing parties. For example, Comprehensive Economic Partnership Agreements (CEPA) signed with the UAE and South Korea separately foster greater foreign investment in defense, electronics, information technology, automobile accessories, and aerospace science. This emphasizes developing the domestic and export-oriented manufacturing of all involved parties along with availing the required inputs at much cheaper rates. A policy of this scale can be successful only if leakages such as technological and trade stagnations and higher logistics are eliminated and rightly addressed through faster technological upgradation, higher-quality infrastructure, and better access to trade. Therefore, a periodical examination is required to judge the benefits of such a long-term framework.

