

# STRUCTURAL CHANGES IN INDIA'S MANUFACTURING UNDER THE SELF-RELIANT INDIA INITIATIVE

## — ADVANCING INDUSTRIALIZATION DRIVEN BY GVC RESTRUCTURING —

Manato Fujiwara

Asia Pacific Dept., Global Economic & Political Studies Div.  
Mitsui & Co. Global Strategic Studies Institute

### SUMMARY

- India has set out a long-term vision of raising the share of manufacturing in GDP to 25% as it seeks to become a developed country by 2047. However, the share currently remains at 12 to 14%, and challenges remain for growth.
- In recent years, India has shown growing signs of industrialization<sup>1</sup> as the government's Self-Reliant India initiative has increasingly aligned with the restructuring of global value chains, including the China Plus One strategy. Specifically, sectors such as automobiles, pharmaceuticals, electronics, and semiconductors have seen greater participation in global value chains (GVCs), leading to stronger export growth and expanding market opportunities.
- Going forward, the manufacturing sector is likely to become increasingly polarized, with some industries accelerating growth while others remain on their traditional trajectory. It will therefore be important to identify the industries and regions where policy support is yielding tangible results.

## 1. CURRENT STATE OF INDIA'S MANUFACTURING SECTOR AND POLICY OVERVIEW

### 1-1. DELAYS IN MANUFACTURING DEVELOPMENT AND REGIONAL CHARACTERISTICS

In recent years, amid the restructuring of global supply chains driven by rising geopolitical risks, including U.S.–China tensions, India's manufacturing sector has emerged as a key destination for production relocation, supported by the country's large domestic market. The Modi administration has set a target of raising the manufacturing sector's share of GDP to 25% as India seeks to become a developed country by 2047. However, the share remained at around 12 to 14% from 2020 to 2024, indicating that manufacturing expansion is still only partway complete (Figure 1). The World Bank points out that protectionist policies, such as higher tariffs and non-tariff barriers, have pushed up production costs, delaying India's participation in global value chains (GVCs) and limiting growth in export competitiveness.<sup>2</sup> Meanwhile, regions extending from the northwest to the south, such as Gujarat and Tamil Nadu, are seeing progress in industrial clustering, supported by measures introduced

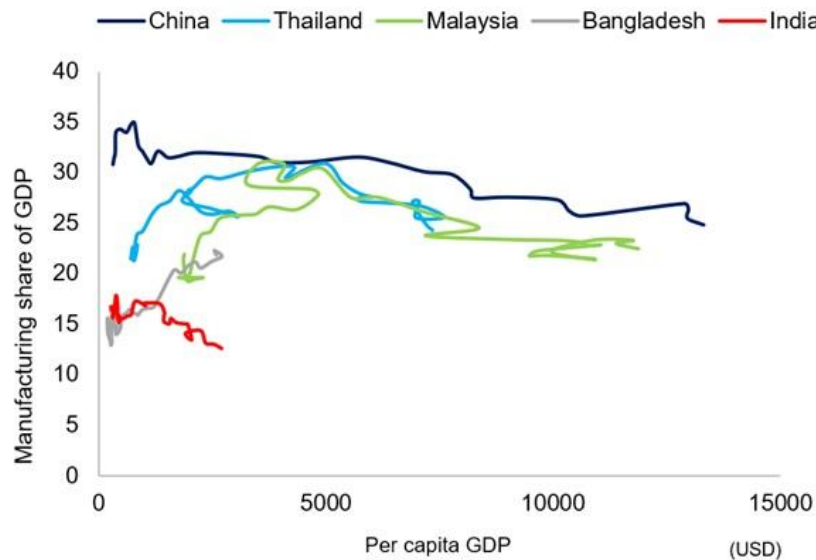
<sup>1</sup> Industrialization refers to the process by which labor and production activity shift from agriculture to manufacturing, changing the industrial structure and pattern of economic growth alongside urbanization and income growth.

<sup>2</sup> See, for example, World Bank (2024), "India Development Update: India's Trade Opportunities in a Changing Global Context."

by state governments to attract inbound investment. These regions are therefore increasing their presence as manufacturing hubs (Figure 2).

According to estimates by the government-affiliated think tank NITI Aayog<sup>3</sup>, if the current pace of growth continues, India is expected to face a shortfall of approximately USD 5.1 trillion against the level of manufacturing value added required to raise manufacturing's share of GDP to the target of 25% by 2047.<sup>4</sup> Developing and upgrading the manufacturing sector has therefore become an urgent priority.

**Figure 1: Relationship between manufacturing share of GDP and per capita GDP**

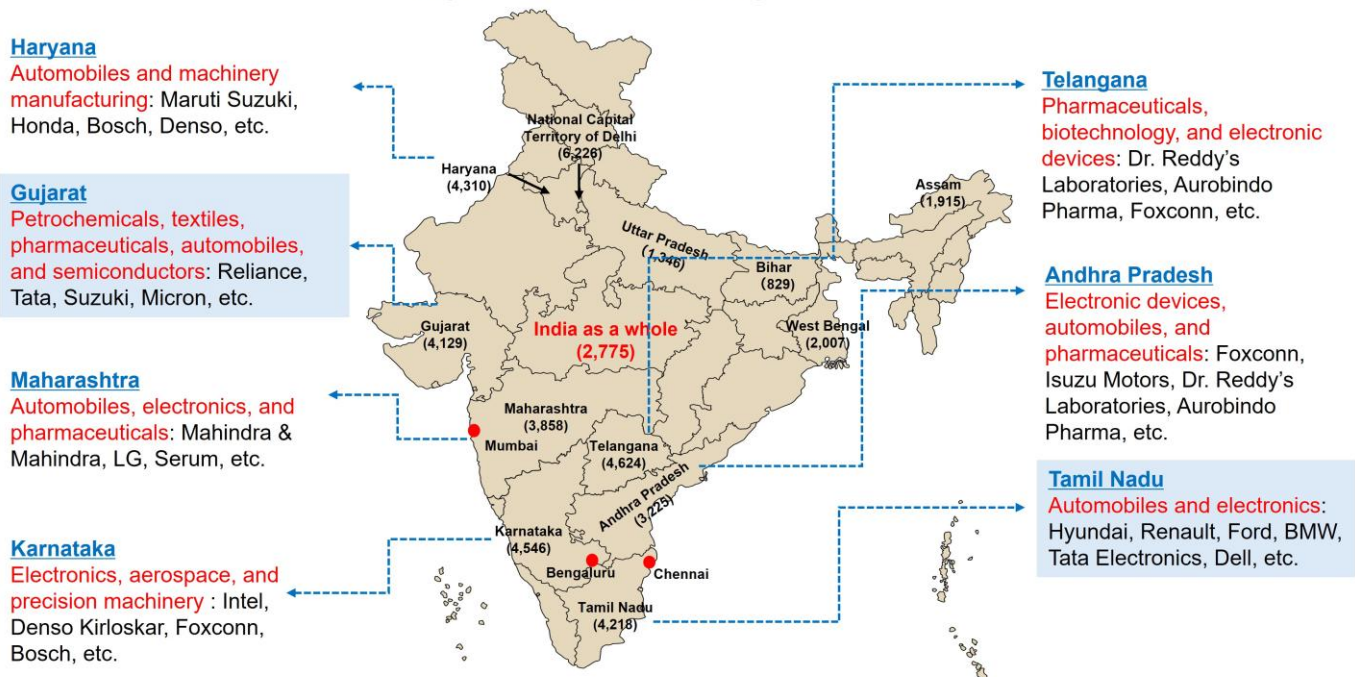


Note: Data cover 1980 - 2024 (China: 1990 -2024)

Source: Compiled by MGSSI based on data from World Development Indicators

<sup>3</sup> NITI Aayog was established in 2015 as a government-affiliated think tank under the direct authority of the prime minister. In addition to formulating long-term national strategies and making policy recommendations, it provides policy input to ministries and state governments through the Governing Council, which is attended by Chief Ministers. As an example of its involvement in individual policies, it was reported in July 2025 that NITI Aayog had proposed easing investment restrictions on Chinese companies, and that the proposal was formally considered by the Prime Minister's Office and relevant ministries. Subsequently, in March 2026, India partially eased inward investment restrictions that had been introduced with China in mind.

<sup>4</sup> NITI Aayog (2025) "Reimagining Manufacturing, India's Roadmap to Global Leadership in Advanced Manufacturing".

**Figure 2: Manufacturing clusters**

Note: Figures in parentheses indicate per capita GDP (USD). The figure for India as a whole shows per capita GDP for FY2024/2025, while the figures for individual states show per capita GDP for FY2023/2024.  
Source: Compiled by MGSSI based on data from MapChart, CEIC

## 1-2. FROM “MAKE IN INDIA” TO “SELF-RELIANT INDIA”

The Modi administration has pursued the Make in India policy with the aim of creating jobs and reducing import dependence. Since the COVID-19 pandemic, amid rising geopolitical risks, it has shifted its focus to Self-Reliant India, which incorporates the perspective of economic security into this slogan. Through reducing import dependence and strengthening domestic supply chains, the administration aims to increase the added value of manufacturing and expand India's role in GVCs. This strategy is a core policy for India as it seeks to become a developed country by 2047 and serves as a framework underpinning the administration's overall economic policy.

## 1-3. IMPROVING THE BUSINESS ENVIRONMENT AND MANUFACTURING POLICY

To promote the manufacturing sector, India has improved its business environment to attract foreign investment and expanded sector-specific industrial policies targeting priority sectors (Figure 3). In recent years, the government has focused on strengthening domestic manufacturing capacity in strategic sectors such as electronics, electric vehicles (EVs), storage batteries, and pharmaceuticals, primarily through the Production-Linked Incentive (PLI) scheme. Covering 14 sectors, the PLI scheme provides incentives tied to production levels, with the aim of strengthening domestic production capacity and reducing import dependence. In February 2025, the National Manufacturing Mission was also launched, setting out a framework to comprehensively promote manufacturing, including human resource development and support for mid-tier companies and SMEs. These developments suggest that the focus of policy is shifting from support for specific sectors to strengthening the industrial ecosystem as a whole.

**Figure 3: Key manufacturing-related policies**

| Year      | Policy                                                      | Purpose                                                                                                                                                                                                                  |
|-----------|-------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2014      | Make in India                                               | Promote foreign investment, create jobs, and raise manufacturing's share of GDP.                                                                                                                                         |
| 2015      | Skill India Mission                                         | Expand employment opportunities by improving workers' skills.                                                                                                                                                            |
| 2017/2025 | Introduction and reform of the Goods and Services Tax (GST) | Integrate the indirect tax system and reduce transaction costs.                                                                                                                                                          |
| 2019      | National Policy on Electronics                              | Develop the industry to make India a global hub for the electronics sector.                                                                                                                                              |
| 2020      | Self-Reliant India                                          | Reduce import dependence and strengthen domestic supply chains and economic security.                                                                                                                                    |
| 2020      | Production Linked Incentive (PLI) Scheme                    | Expand domestic production and investment in 14 target industries through subsidies, and promote the upgrading of manufacturing.                                                                                         |
| 2020      | National Technical Textiles Mission                         | Increase industrial competitiveness and exports through the development of high-value-added textile products.                                                                                                            |
| 2021      | PM GatiShakti National Master Plan                          | Accelerate infrastructure development through public and private investment.                                                                                                                                             |
| 2021      | India Semiconductor Mission                                 | Establish a domestic semiconductor industry and build supply chains.                                                                                                                                                     |
| 2023      | National Green Hydrogen Mission                             | Promote the production and use of green hydrogen, and accelerate decarbonization.                                                                                                                                        |
| 2024      | IndiaAI Mission                                             | Advance the development, societal implementation, and industrial application of AI.                                                                                                                                      |
| 2025      | National Critical Mineral Mission                           | Build a mining and refining infrastructure to ensure a stable supply of critical minerals.                                                                                                                               |
| 2025      | National Manufacturing Mission                              | Systematically promote the revitalization of manufacturing and raise the overall level of the sector through an integrated approach covering regulatory reform, human resource development, technology, and SME support. |
| 2025      | Electronics Component Manufacturing Scheme (ECMS)           | Promote domestic production of electronic components and reduce import dependence.                                                                                                                                       |
| 2025      | Implementation of the four Labour Codes                     | Simplify labor regulations, create jobs, and facilitate business activity.                                                                                                                                               |
| 2026      | Biopharma SHAKTI                                            | Strengthen the research and manufacturing infrastructure for biopharmaceuticals, and enhance international competitiveness.                                                                                              |
| 2026      | India Semiconductor Mission 2.0                             | Strengthen domestic semiconductor value chains and increase self-reliance.                                                                                                                                               |

Source: Compiled by MGSSI based on data from news reports and government documents

## 2. RESULTS AND CHALLENGES OF MANUFACTURING POLICY

### 2-1. IMPROVEMENTS IN THE BUSINESS ENVIRONMENT AND RESULTS OF INDUSTRIAL POLICY

Since the Modi administration took office in 2014, steady progress has been made under the government's infrastructure policy in developing logistics and transport infrastructure, which had long been a bottleneck.<sup>5</sup> In

<sup>5</sup> The total length of national highways has expanded 1.6-fold over the past 10 years. In railways, construction is under way on Dedicated Freight Corridors (DFCs), which are high-speed, high-capacity railway lines exclusively for freight, and daily DFC operations are also increasing. As a result, India's ranking in the World Bank's Logistics Performance Index rose from 54th among 139 countries in 2014 to 38th in 2023.

addition, long-awaited amendments to labor-related laws came into force in November 2025. This led to the partial easing of dismissal regulations, which had been regarded as a challenge for labor-intensive industries, including manufacturing.<sup>6</sup> Although disbursements under the PLI remained at about 12% of the budget as of September 2025, the scheme has had a certain effect in expanding production and exports in the automobiles, pharmaceuticals, electronics, and semiconductors by attracting investment (Figure 4). Even in sectors where PLI disbursements have not proceeded as planned, such as battery manufacturing, both domestic and foreign investment are gaining momentum, suggesting that domestic production could expand gradually over time.

**Figure 4: Budget allocation and achievements across the 14 PLI sectors**

| Target sector                                                                              | Budget (JPY 100M) | # of approved projects | Achievements                                                                                                                                                                                                                                    |
|--------------------------------------------------------------------------------------------|-------------------|------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Automobiles and Auto Components                                                            | 9,411.9           | 95                     | Delivered results in expanding production and attracting investment. As of end-September 2025, 3,565.7 billion rupees in investment had been attracted, generating additional sales of 3,287.9 billion rupees. Aligned with EV policy measures. |
| Mobile Manufacturing and Specified Electronic Components                                   | 6,764.2           | 32                     | Most pronounced results. Electronics sector production expanded 2.6-fold from FY2020/21 to FY2024/25. Smartphone export value expanded by about ninefold over the same period.                                                                  |
| Advanced Chemistry Cell (ACC) Battery                                                      | 2,986.5           | 4                      | In the ACC sector, 40 GWh of production capacity has been approved. As of end-October 2025, investment approvals totaled 287.8 billion rupees.                                                                                                  |
| Pharmaceuticals Drugs                                                                      | 2,475.0           | 55                     | Contributed to growth in sales and exports in the pharmaceutical sector. Sales exceeded 2.66 trillion rupees in the first three years, of which 1.70 trillion rupees contributed to export expansion.                                           |
| Telecom and Networking Products                                                            | 2,012.2           | 42                     | As of January 2025, investments of 40.8 billion rupees had been executed, contributing to export expansion of 149.6 billion rupees.                                                                                                             |
| Food Products                                                                              | 1,798.5           | 182                    | By end-2024, 182 applications had been approved, and investments exceeding 891 billion rupees had also been executed. The scheme is aligned with existing initiatives, including PM-FME.                                                        |
| Textile Products: MMF Segment and Technical Textiles                                       | 1,762.7           | 74                     | Man-made Fibre (MMF) exports increased to 52.5 billion rupees in FY2024/25. Technical textile exports also expanded from 20.0 billion rupees in the previous year to 29.4 billion rupees.                                                       |
| Critical Key Starting Materials/ Drug Intermediaries and Active Pharmaceutical Ingredients | 1,146.8           | 51                     | Contributed to expanded production and exports. India transitioned from a net importer in FY2021/22 (minus 19.3 billion rupees) to a net exporter in FY2024/25 (plus 22.8 billion rupees) of bulk drugs.                                        |
| Specialty Steel                                                                            | 1,043.1           | 67                     | As of February 2025, investment totaling 198.5 billion rupees had been implemented, contributing to production expansion of 19.5 billion rupees.                                                                                                |
| White Goods (ACs and LED)                                                                  | 1,029.3           | 66                     | As of end-2024, 66 projects had been approved. Incentives totaling 28.14 billion rupees had been disbursed to date. Localization of key components for air conditioners and LED-related materials has progressed.                               |
| Electronic/ Technology Products                                                            | 825.0             | 27                     | As of the end of 2024, 27 projects, including Dell and Lenovo, were approved. Approved investment amounts to around 22% of the target.                                                                                                          |
| High-Efficiency Solar PV Modules                                                           | 742.5             | 14                     | As of end-June 2025, 4,812 billion rupees in investment had been committed, contributing to the creation of around 38,500 jobs.                                                                                                                 |
| Manufacturing of Medical Devices                                                           | 564.3             | 32                     | 32 projects are under way. High-value-added medical devices, such as MRI and CT scanners, are being produced, contributing to lower import dependence and higher exports.                                                                       |
| Drones and Drone Components                                                                | 19.8              | 23                     | Despite the small budget, the program has achieved some growth, mainly among startups and defense tech companies.                                                                                                                               |
| <b>Total</b>                                                                               | <b>32,581.7</b>   | <b>764</b>             |                                                                                                                                                                                                                                                 |

Notes: Note: Calculated at an exchange rate of JPY 1.65 per Indian rupee. The number of approved projects is as of the end of December 2024.

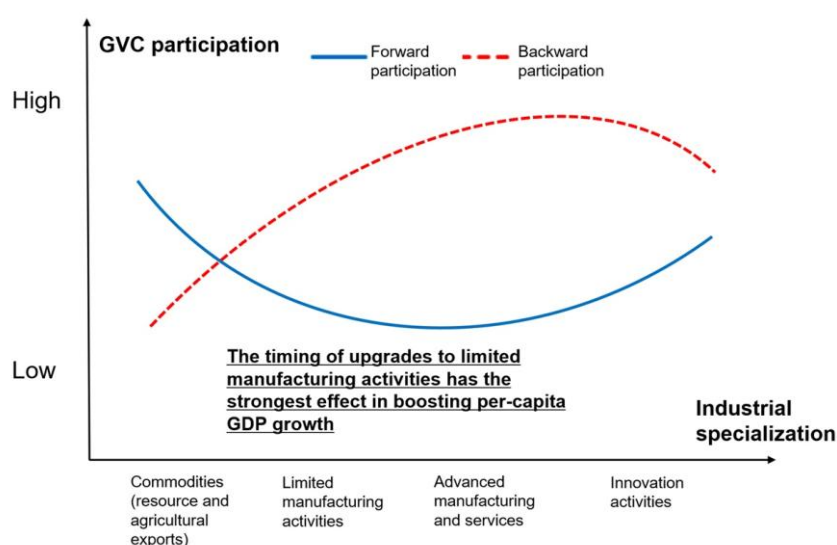
Source: Compiled by MGSSI based on data from Government of India and various media reports

<sup>6</sup> The labor law amendments reorganized 29 previously separate labor-related laws into four labor codes, simplifying the overall system. At the same time, the strictly enforced regulations on dismissals were reviewed. This included partial easing measures such as raising the company size threshold for dismissals without government permission from fewer than 100 employees to fewer than 300 employees.

## 2-2. GREATER PARTICIPATION IN GVC AND EXPORT GROWTH

Against the backdrop of these policies, India's manufacturing sector is expanding its participation in GVCs, indicating progress in industrialization. GVC participation is broadly categorized into “backward participation,” in which imported intermediate goods are processed domestically to add value and then re-exported, and “forward participation,” in which domestically produced parts and intermediate goods are incorporated into exports by third countries.<sup>7</sup> The World Bank suggests that, as countries upgrade their industrial structure, backward GVC participation tends to increase through the greater use of imported intermediate goods to generate domestic value added. It further shows that participation in this form of international production fragmentation contributes to export expansion and economic growth<sup>8</sup> (Figure 5).

**Figure 5: The relationship between industrial upgrading and GVC participation**



Source: Compiled by MGSSI based on data from World Bank (2020, p. 23)

In India's manufacturing sector, backward participation, which had long remained flat, has started to expand since 2020 (Figure 6-(1)). In electrical equipment and components, chemicals, and machinery, backward participation is increasing while forward participation is declining, indicating a shift toward the “limited manufacturing” stage of GVC participation (Figure 6-(2), (3), and (6)). By contrast, in transport equipment, including automobiles, both forward and backward participation are increasing (Figure 6-(5)), suggesting a shift toward more advanced manufacturing processes. Looking at export trends by product category, exports are expanding in industrial and precision machinery (including medical devices and automotive equipment), semiconductor-related products, pharmaceuticals, vehicles, and smartphones (Figure 7).

These trends are closely linked to the restructuring of global supply chains, including China Plus One strategy. In the pharmaceuticals sector, foreign direct investment inflows and exports have expanded as global companies seek to reduce dependence on China.<sup>9</sup> In electronics and semiconductors, companies such as Foxconn, a major contract manufacturer of iPhones, are shifting production to India, while in semiconductors, manufacturing projects are progressing mainly in back-end processes. In the automotive sector, investment by European and Japanese companies is also increasing, with an eye to the expansion of the domestic market and India's role as an export base for the Middle East, Africa, and other markets. In addition, in batteries and

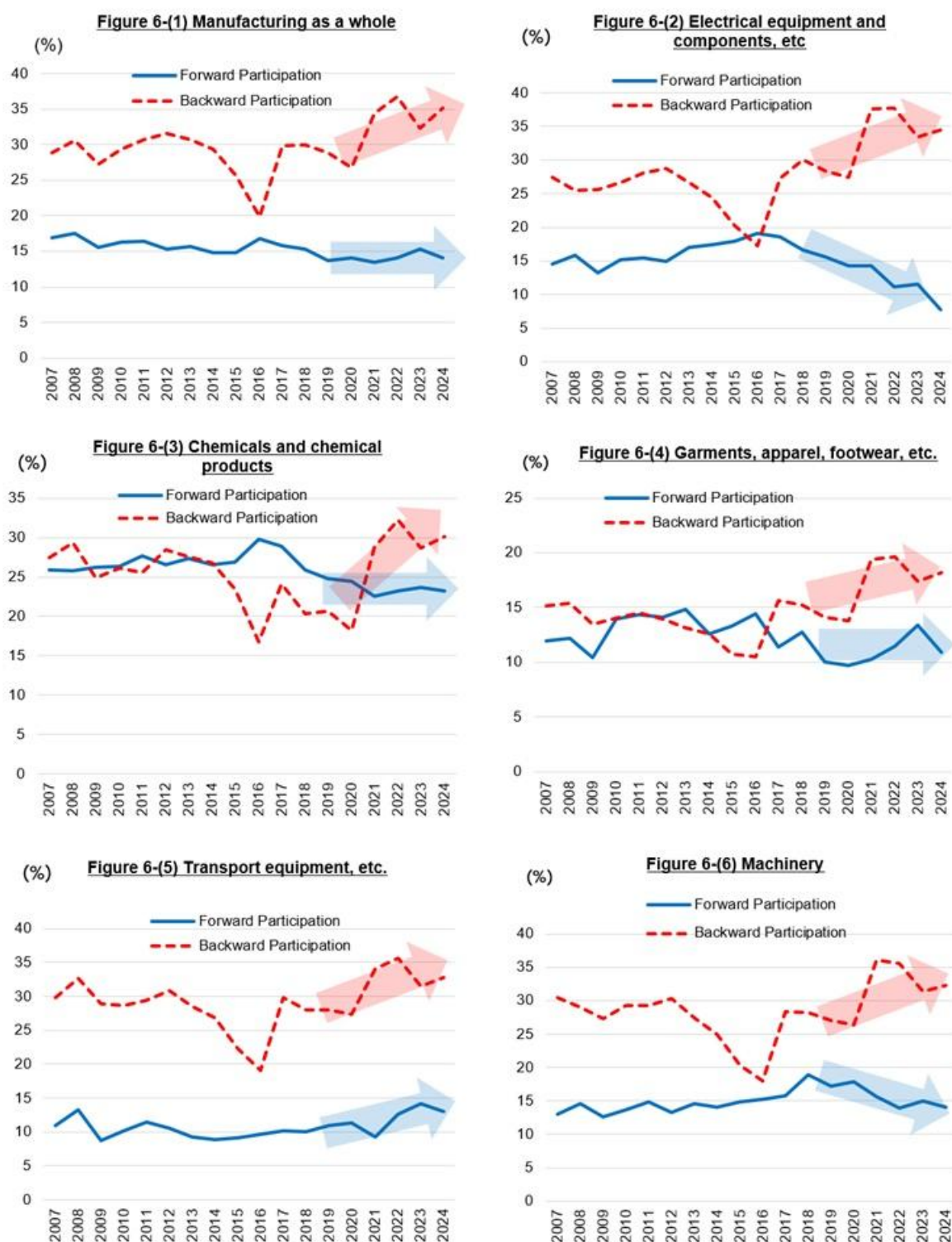
<sup>7</sup> Backward participation is defined as “Foreign Value Added in Gross Exports,” and forward participation as “Domestic Value Added in Foreign Gross Exports.”

<sup>8</sup> World Bank. 2020. “World Development Report 2020: Trading for Development in the Age of Global Value Chains.” Washington, DC: World Bank. doi:10.1596/978-1-4648-1457-0. License: Creative Commons Attribution CC BY 3.0 IGO.

<sup>9</sup> According to Khatri and Aryal (2025), FDI inflows into the pharmaceutical sector increased from approximately USD 500 million in FY2019/20 to more than USD 2 billion in FY2022/23 (Khatri, P. and Aryal, T (2025) “India's Pharmaceutical Export Competitiveness in the U.S. Market: Evaluating Opportunities Under the China+1 Strategy”, International Area Studies Review, 28(3), pp.277-300.).

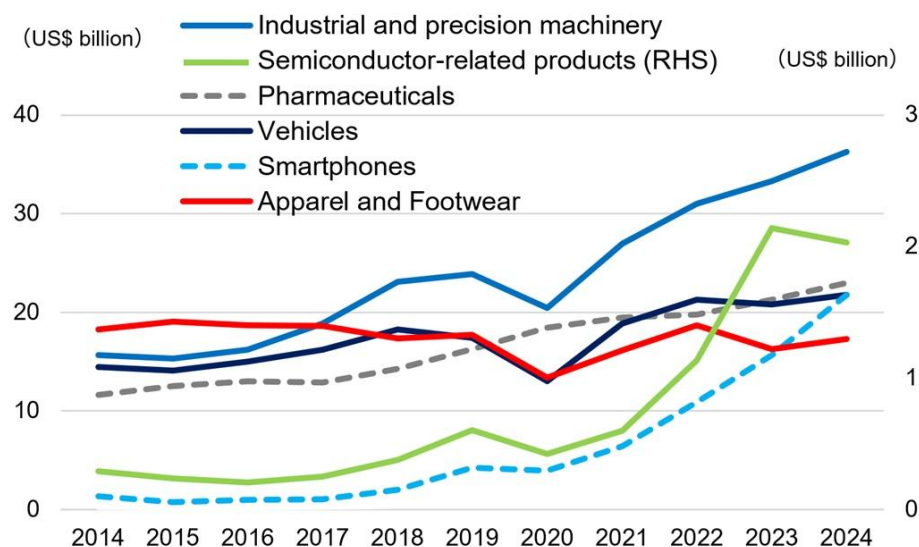
chemicals sectors, where dependence on China is high, global companies are stepping up investments in India while increasingly sourcing from India as an alternative to China.<sup>10</sup>

**Figure 6 : Manufacturing participaion in GVCs**



Source: Compiled by MGSSI based on data from Borin and Mancini (2023), ADB Multiregional Input-Output Table

<sup>10</sup> In the battery sector, automotive-related companies from Japan, China, South Korea, and the US have announced investments. In specialty chemicals, European and Japanese chemical manufacturers are moving to increase investment in India and imports from India, positioning the country as a second procurement source after China.

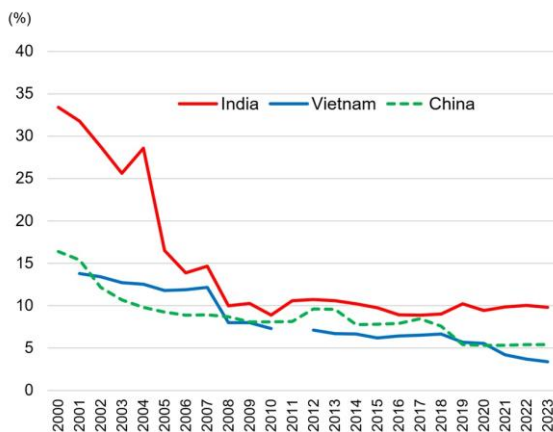
**Figure 7: India's exports by product category**

Note: The HS codes used are as follows: Industrial and precision machinery: HS 84 and 90; Semiconductor-related products: HS 8541 and 8542; Pharmaceuticals: HS 30; Vehicles: HS 87; Smartphones and related products: HS 8517; Apparel and footwear: HS 61, 62, and 64.  
Source: Compiled by MGSSI based on data from UN Comtrade

### 2-3. CHALLENGES IN DEVELOPING MANUFACTURING

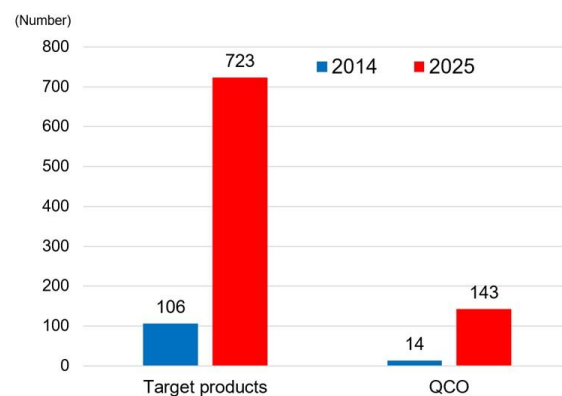
However, these efforts have also been accompanied by increasingly protectionist trade and industrial policies. Since the Modi administration took office, Import tariffs have been raised in stages under the Phased Manufacturing Programme, launched in 2015, with the aim of promoting domestic production (Figure 8). In addition, to curb an inflow of low-quality imports, the government has expanded Quality Control Orders (QCOs) based on product standards formulated by the Bureau of Indian Standards (BIS). Since BIS approval is required to import covered products, these orders function as de facto non-tariff barriers (Figure 9). The Ministry of Finance has also pointed out that the inverted tariff structure—where tariffs on parts and intermediate goods are higher than those on finished products—has weakened the export competitiveness of India's manufacturing sector. Structural constraints, including difficulties in land acquisition, also continue to hinder manufacturing development.

Figure 8: Average effective import tariff rate: All products



Source: Compiled by MGSSI based on data from World Integrated Trade Solution

Figure 9: Number of QCO notifications and covered products



Source: Compiled by MGSSI based on data from the Ministry of Finance, India, and various media reports

### 3. FUTURE POLICY DIRECTION AND PROSPECTS

#### 3-1. FUTURE POLICY DIRECTION

Under the Self-Reliant India strategy, support for key sectors and the promotion of domestic production are expected to remain at the core of industrial policy. The FY2026/2027 budget also prioritizes sectors that are important from an economic security perspective and have demonstrated growth potential, such as pharmaceuticals, electronics and semiconductors, automobiles, and chemicals. Rather than pursuing rapid import substitution, the government is expected to adopt a gradual and pragmatic approach to strengthening domestic supply chains, while continuing to allow imports of essential parts and intermediate goods.

In fact, protectionist measures in these sectors are already being recalibrated. In recent years, the government has reduced tariffs on parts and intermediate goods and simplified Quality Control Orders (QCOs) to facilitate deeper GVC integration<sup>11</sup>. Moreover, against the backdrop of a changing geopolitical environment and growing uncertainty surrounding trade relations with the US, India has accelerated the negotiation and conclusion of free trade and economic partnership agreements (Figure 10). Together, these developments are expected to promote deeper GVC participation and support export-led growth<sup>12</sup>.

<sup>11</sup> In the FY2024/2025 budget, India implemented certain tariff reductions and exemptions for smartphones, critical minerals, solar power and renewable energy, and chemicals. The FY2025/2026 budget included tariff reductions on imports of smartphone parts, certain pharmaceuticals, capital goods, and storage battery-related parts and raw materials. The FY2026/2027 budget included an expansion of duty-free import quotas for fishery products and textile-related raw materials, as well as duty exemptions for capital goods used in storage battery manufacturing, imported parts for nuclear-related manufacturing, and raw materials used to manufacture solar cell glass. Furthermore, a total of 14 QCOs were withdrawn in November 2025 to ease raw material constraints and reduce production costs, including seven related to the MMF (man-made fiber) and polyester value chains. Interviews with relevant parties during the author's business trip in February 2026 indicated that parts, raw materials, and intermediate goods are likely to continue being excluded from QCO coverage.

<sup>12</sup> If economic and trade agreements currently under negotiation take effect, India will gain access to export markets accounting for more than 60% of global GDP, compared with around 10% as of 2023.

**Figure 10: Recent developments in India's trade and economic partnerships**

| Date    | Agreement                                                                                       | Status                    |
|---------|-------------------------------------------------------------------------------------------------|---------------------------|
| 2025/7  | Comprehensive Economic and Trade Agreement (CETA) with the UK                                   | Signed                    |
| 2025/8  | Free Trade Agreement (FTA) with the Eurasian Economic Union (EAEU)                              | Negotiations started      |
| 2025/10 | Trade and Economic Partnership Agreement (TEPA) with the European Free Trade Association (EFTA) | Entered into force        |
| 2026/1  | Free Trade Agreement (FTA) with the EU                                                          | Agreement reached         |
| 2026/2  | Bilateral Trade Agreement (BTA) with the US                                                     | Interim agreement reached |
| 2026/2  | Comprehensive Economic Partnership Agreement (CEPA) with the Gulf Cooperation Council (GCC)     | Negotiations started      |
| 2026/3  | Comprehensive Economic Partnership Agreement (CEPA) with Canada                                 | Negotiations started      |
| 2026/4  | Free Trade Agreement (FTA) with New Zealand                                                     | Signed                    |
| 2026/6  | Comprehensive Economic Partnership Agreement (CEPA) with Oman                                   | Entered into force        |

Source: Compiled by MGSSI based on data from JETRO and media reports

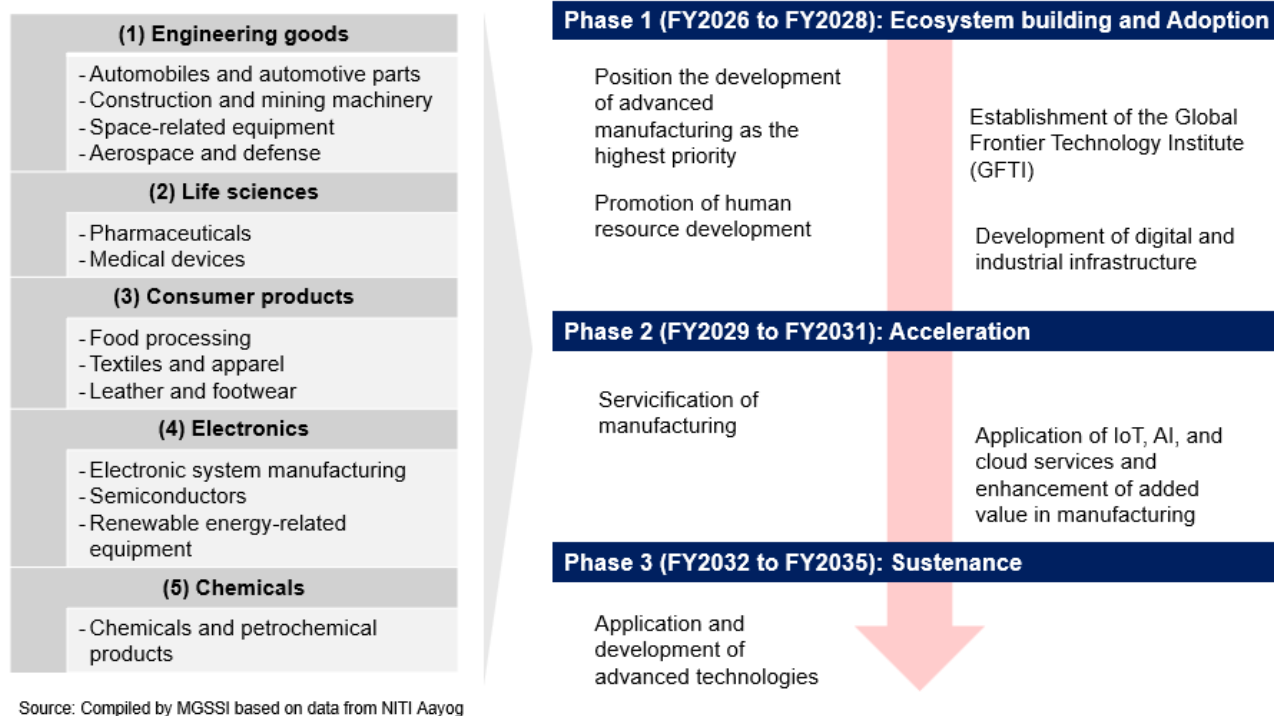
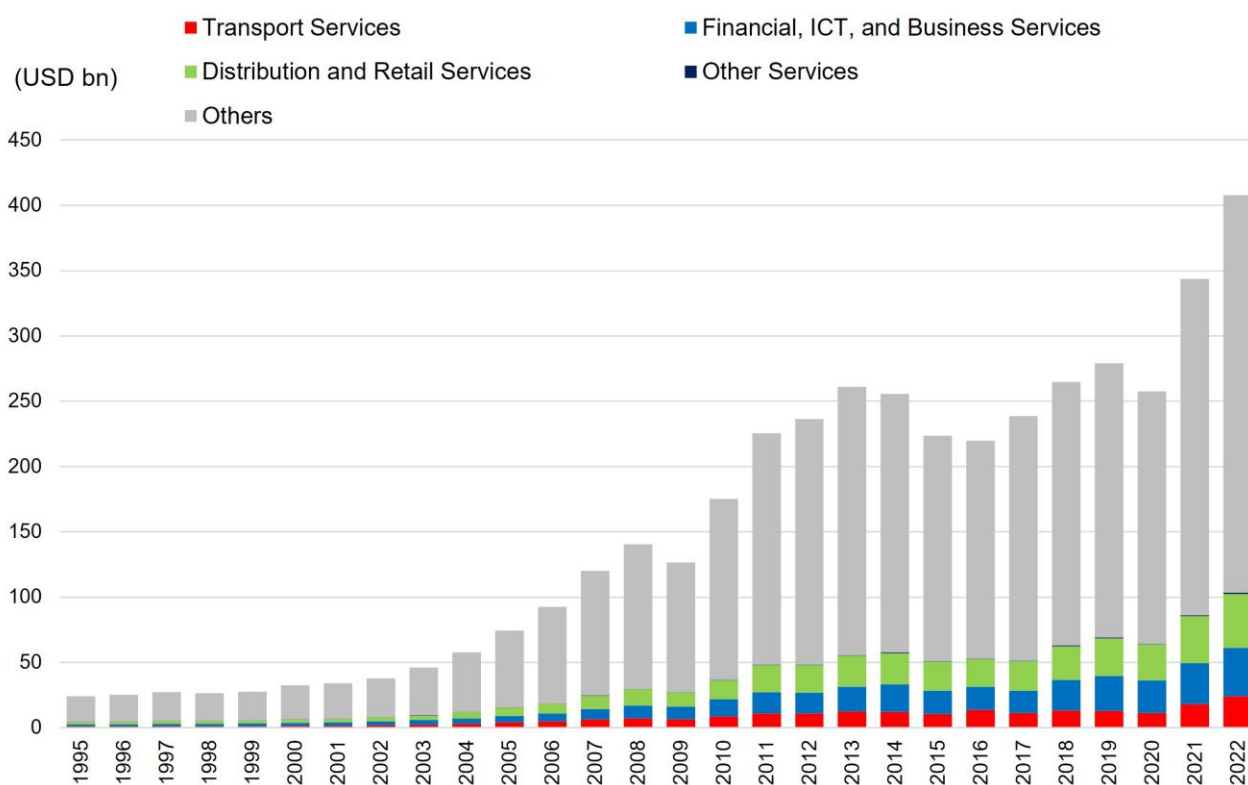
### 3-2. MANUFACTURING DEVELOPMENT ROADMAP

Based on strategic importance and economic impact, NITI Aayog has identified five clusters encompassing 13 sectors for priority support. In Phase 1, from FY2026 to FY2028, the roadmap emphasizes upgrading industrial capabilities by promoting higher value-added production centered on advanced manufacturing (Figure 11). The importance of developing advanced manufacturing is also underscored in the Economic Survey published by India's Ministry of Finance.<sup>13</sup> While acknowledging that advanced manufacturing does not necessarily generate large-scale employment, the report argues that participation in international competition can enhance firms' productivity, management practices, and corporate governance.

In Phase 2, the roadmap calls for integrating AI, robotics, and other technologies into manufacturing processes and products to further increase value added through digital transformation (DX). Indeed, the share of services value added embodied in manufacturing exports has already been increasing (Figure 12), and the "servicification"<sup>14</sup> of manufacturing is expected to accelerate further with the advancement of AI. This direction is closely aligned with the government's strategic priorities and is therefore likely to become a central pillar of India's future industrial policy.

<sup>13</sup> Economic Survey 2025-2026, Ministry of Finance, Government of India.

<sup>14</sup> The servitization of manufacturing refers to the move by manufacturing companies to improve added value and profitability by offering maintenance, software, data analysis, financial services, and other services in combination with product sales.

**Figure 11: Manufacturing priority sectors and development roadmap****Figure 12: Trends in the share of services value added in India's manufacturing exports**

Source: Compiled by MGSSI based on data from TIVA database

### 3-3. FUTURE PROSPECTS

Looking ahead, India's manufacturing sector is likely to become increasingly polarized between industries where growth accelerates and those that remain on their existing trajectory, while industrial activity is also expected to become more geographically concentrated. In particular, sectors that are strategically important from an economic security perspective are likely to continue receiving policy support under the Self-Reliant India strategy. Industries such as electronics, semiconductors, pharmaceuticals, and automobiles have potential for rapid growth, as government industrial policies reinforce the ongoing restructuring of global value chains.

However, the coexistence of protectionist policies means that upgrading the manufacturing sector as a whole is likely to take time. For example, the garment and apparel industry has a low level of GVC participation, and exports have stagnated (Figure 7). In labor-intensive industries, where cost competitiveness is critical, a transition to an export-led growth model will remain difficult unless structural constraints, including tariffs and non-tariff barriers, are addressed. As a result, India is unlikely to achieve the broad-based manufacturing development driven by economies of scale that characterized China's industrialization.

Overall, rather than serving as a full alternative to China, India is more likely to strengthen its position in selected segments of global supply chains. This is particularly the case in electronics and semiconductors, where India is well positioned to serve as a base for assembly manufacturing as well as a destination for new demand, and in automobiles, where it is increasingly functioning as an export base for third-country markets. Assessing India's manufacturing sector therefore requires looking beyond aggregate indicators and identifying the industries and regions where policy support is translating into tangible outcomes.