

# From “Make in India” to “Assemble in India”: A Strategic Shift for Economic Growth

by Aditya Pathak

India’s “Make in India” initiative, launched in 2014, was a bold step toward transforming the nation into a global manufacturing powerhouse. The initiative sought to foster innovation, boost skill development, and create millions of jobs, all while increasing the manufacturing sector’s contribution to GDP and reducing reliance on imports. However, despite progress, evolving global supply chains and shifting economic dynamics necessitate a new strategic approach—transitioning from “Make in India” to “Assemble in India.” This shift is not just a change in focus but a critical evolution for India to integrate more deeply into global value chains, particularly in labour-intensive sectors, and capture a larger share of global exports.

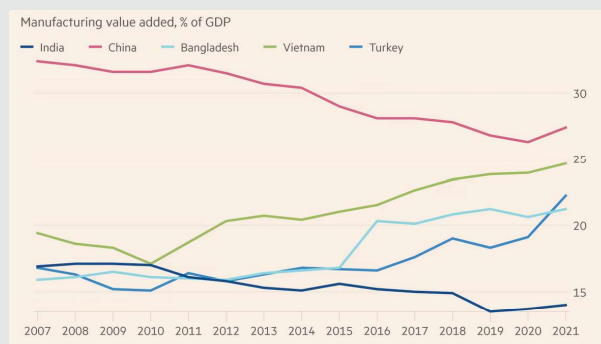


While “Make in India” laid the groundwork, the next phase requires India to focus on assembling complex products that can be exported globally. The “Assemble in India” strategy leverages the country’s potential as a critical player in the global assembly line, particularly in electronics, automobiles, and textiles. India can attract global manufacturing giants by capitalizing on its vast labor force, geographical advantages, and improving infrastructure. This approach mirrors China’s success, where large-scale assembly operations have driven the country to the forefront of global trade.

However, India faces significant challenges in

scaling up its assembly operations. One of the primary obstacles is the relatively small size of its manufacturing sector compared to countries such as China.

For instance, India’s share of value-addition to GDP from manufacturing is smaller than that of China, Bangladesh, Vietnam, and Turkey. This highlights the need for substantial growth in India’s manufacturing capabilities to achieve economies of scale similar to its competitors.



“Make in India” has attracted substantial foreign direct investment (FDI), streamlined regulations, and improved ease of doing business. Key sectors such as automotive, electronics, and pharmaceuticals have grown considerably. Notably, the Production Linked Incentive (PLI) schemes have been instrumental in attracting investments in electronics and mobile phone manufacturing, positioning India as the second-largest mobile phone manufacturer globally. Despite these achievements, the manufacturing sector’s contribution to GDP has stagnated at around 15-16%, far short of the targeted 25%. Infrastructure bottlenecks, complex land acquisition processes, and rigid labor market regulations have hampered progress. The COVID-19 pandemic exacerbated these issues, disrupting supply chains and delaying many projects. These persistent challenges

highlight the necessity for a strategic shift towards large-scale assembly operations, which can better integrate India into global supply chains and enhance the sector's overall contribution to the economy.

A comparative analysis of India and China reveals significant insights into the differences in their industrial strategies and outcomes. China's growth trajectory, particularly in the manufacturing sector, has been fueled by a high level of investment and savings, allowing for substantial industrial expansion. In contrast, India's lower levels of investment and savings have constrained its industrial growth and limited its ability to scale manufacturing operations to the levels seen in China.

Furthermore, China's emphasis on R&D and technological innovation has been a critical factor in its industrial success. China's gross expenditure on R&D, at 2.2% of GDP, is significantly higher than India's 0.9%. This has enabled China to develop a robust domestic technology base, which supports its manufacturing sector and allows it to produce high-value-added products for export. In contrast, India's lower investment in R&D has hindered its ability to innovate and move up the value chain in manufacturing.

As global companies seek to diversify their supply chains to reduce risks, India has a unique opportunity to position itself as a major assembly hub. The "Assemble in India" strategy aims to tap into this potential by emphasizing the country's comparative advantages in labour-intensive manufacturing. For example, the electronics sector, where components are sourced globally and assembled in concentrated locations, presents an ideal opportunity for India to emerge as a preferred destination for manufacturers looking to diversify away from China. However, to realize this potential, India must address several critical challenges. Infrastructure development is a significant concern, as India's infrastructure still lags behind global standards. Developing industrial corridors, logistics parks, and port infrastructure is essential for supporting large-scale assembly operations.

Additionally, India needs to invest significantly in skill development to ensure its workforce can meet the demands of modern manufacturing processes.

India's manufacturing sectors present a mixed picture of challenges and opportunities. Thanks to favorable policies like the PLI scheme, the electronics sector has made notable progress, particularly in mobile phone manufacturing. However, the sector remains heavily reliant on imports for critical components, which limits domestic value addition. Increasing local production of these components is crucial to reducing dependence on imports and enhancing the sector's contribution to GDP. India's automotive sector, one of the largest globally, faces challenges in transitioning to electric vehicles (EVs) and overcoming global supply chain disruptions, particularly in semiconductor availability.

Addressing these challenges will require coordinated efforts between the government and industry stakeholders to ensure a smooth transition and maintain global competitiveness. The textile sector, historically a significant employer, is struggling against competition from countries like Bangladesh and Vietnam, which offer lower production costs. India can regain its competitive edge in the global textile market by focusing on high-value-added products and modernizing production processes. India's pharmaceutical industry, a global leader in generic drug manufacturing, must increase research and development (R&D) investment to move up the value chain and develop innovative products that can compete globally.

To successfully transition from "Make in India" to "Assemble in India," a multi-pronged approach is necessary. Policy reforms that enhance the ease of doing business, particularly in labour laws, land acquisition, and taxation, are crucial. These reforms should reduce manufacturing costs and make India an attractive destination for global companies. Additionally, significant investment in infrastructure is critical for supporting large-scale assembly operations. This includes physical infrastructure like roads and ports, and digital infrastructure to

facilitate smart manufacturing and efficient supply chain management. Skill development is also essential to create a workforce capable of supporting modern manufacturing processes, with public-private partnerships playing a pivotal role in this effort. Finally, increasing investment in R&D is vital for India to develop indigenous technologies and create high-value-added products that can compete globally. By boosting its R&D capabilities, India can build a robust innovation ecosystem that supports its manufacturing sector and drives economic growth.

The shift from "Make in India" to "Assemble in India" represents a strategic evolution in India's industrial policy. By focusing on large-scale assembly operations, India can better integrate into global value chains, create millions of jobs, and significantly boost its exports. However, achieving this vision requires overcoming substantial challenges, particularly in infrastructure development, regulatory reforms, and skill enhancement. With the right policies and investments, India has the potential to emerge as a global manufacturing powerhouse, driving economic growth and improving living standards for millions of its citizens.



The journey from "Make" to "Assemble" is not just a transition in strategy but a commitment to building a resilient, competitive, and forward-looking manufacturing ecosystem capable of sustaining long-term economic prosperity.



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