Indian Economy · GS - III

How can India leverage changing global trade patterns and Europe's efforts to diversify supply chains to emerge as a global manufacturing hub? Discuss the major challenges and suggest measures.

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MARKS	WORD LIMIT
10	~150 words

Answer Hint

China+1 strategy; foreign direct investment; Production Linked Incentive schemes; labour productivity; logistics infrastructure; ease of doing business; trade agreements; technology transfer

Model Answer

Introduction

Global trade tensions and supply-chain diversification are encouraging firms to reassess manufacturing locations. India can use this shift to attract European investment and strengthen its position in global value chains.

Opportunities for India

1. Investment and Employment

European firms seeking alternatives to concentrated supply chains may invest in Indian electronics, automobiles, pharmaceuticals, textiles and renewable-energy equipment. This can generate jobs and expand exports.

2. Policy Support

Production Linked Incentive schemes, infrastructure development, industrial corridors and initiatives such as Make in India can improve manufacturing competitiveness.

Major Challenges

High logistics costs, uneven infrastructure, skill gaps, regulatory complexity, limited research and development, and difficulties integrating domestic firms into global value chains may constrain investment. Labour-cost advantages alone cannot ensure competitiveness.

Way Forward

India should simplify compliance, improve contract enforcement, strengthen vocational training, expand reliable power and multimodal logistics, and support technology transfer. Stable trade policies and carefully negotiated trade agreements can improve market access. Environmental and labour standards should also be strengthened.

Conclusion

India can convert global supply-chain realignment into a manufacturing opportunity through sustained reforms, productivity improvements and predictable policies. The objective should be deeper domestic value addition rather than investment inflows alone.

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