Assemble in India

What is the issue?

- There is a proposal to promote ‘Assemble in India’ as a ground for ‘Make in India’.
- This move may revive Indian exports which have failed to compete in global markets, but widens the skills gap.

What is the export status of India?

- India has the lowest manufacturing share in gross exports in Asia.
- India is no longer the fastest growing economy in the region.
- It lags behind Bangladesh, Vietnam and Cambodia in terms of growth performance.
- Weakening of exports is a gloomy sign for India’s already deteriorating GDP growth, which is estimated to decelerate to 5% in 2019-20.
- When the production process is getting fragmented globally, the idea to boost production alone does not go very far in alleviating exports.
- Nor does it help the ‘Make in India’ cause of the government.

What is the ‘Assemble in India’ proposal?

- The Economic Survey 2019-20 proposed a scheme to **integrate ‘Assemble in India’ into ‘Make in India’**.
- This will encourage Multinational enterprises to begin assembling the network products in India.
- The Economic Survey predicts that by this integration, 4 crore well-paid jobs can be created by 2025 and 8 crore by 2030.
- The estimate of creating 8 crore jobs is based on the premise that India can increase its world export share of network products from 0.6% currently to 6% by 2030.
- This is premised assuming that India can mimic China’s export performance during the first decade of the China’s export market entry in network products.

What does it mean if these estimates are true?

- If these estimates are believed to be true, then the country is heading towards a **widening skills gap**.

- A chunk of jobs created by India's export of network products has been for workers with above secondary education.
- This is in sharp contrast to the corresponding share in case of overall manufacturing exports.
- The **requirement for high-educated workers** is only going to **rise** at the cost of uneducated and less educated.
- This is so, as the transnational companies are the ones that largely control the production process of network products.
- Greater integration into Global Value Chains (GVCs) for network products will require India to close the quality gap faced among its peers, requiring its manufacturers to leapfrog to newer technologies.

What will be the consequences?

- A World Economic Forum study (2018) - The adoption of Industry 4.0 may impact low-skilled employees because of their vulnerability to automation.
- In the process, the less educated workers are likely to remain excluded.
- While integrating into GVCs seems the way forward, one must be mindful of the distributional consequences on the jobs so created.
- The employment and wage gains through GVC integration have been largely biased towards more skilled workers.

What should India do?

- Replicating China's export performance will be difficult unless India overcomes existing structural bottlenecks.
- 'Assemble in India' can be inefficient if the nation's skills do not match the requirements of the industry.
- Before inviting Multinational enterprises (MNEs) to begin assembling network products in India, policies to ensure that the gains from trade will be shared evenly are needed.
- To reduce workers' exposure to the risk of off-shoring, the government must invest in skill development.
- Education and training can also help firms increasingly and efficiently fragment their production processes globally.

Source: Financial Express

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