

## 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**