

Q. Does India require transformational changes in the manufacturing sector for ensuring maximum outcomes in trade deals? Comment (200 words)

A. The contribution of manufacturing sector to India's GDP has remained stagnant since 1990s. This is partly due to the unpreparedness of the industrial sector to the economic reforms. The reluctance of the member nations of various free-trade groupings like RCEP for the inclusion of services which is the strong-hold of India ~~that~~ gives us an opportunity to take a critical look at our manufacturing sector.

The emerging economies of Asia are mostly manufacturing-based economies with strong global-supply chains. Hence, they stand to benefit hugely in a Free Trade Agreement (FTA). The weakness of India in this sector is evident from the huge deficits we have with the South Asian economies. Thus India needs a multi-pronged approach which raises the domestic competitiveness (internal) and cushioning the industry from unfavourable trade deals (external)

The domestic competitiveness can be enhanced by formulating a robust Industrial Policy that can respond to the dynamic nature of the global ~~or~~ industrial demand. We can no longer depend on light manufacturing which is increasingly being replaced by automation. We need a model of manufacturing which is high-skilled,

high-end cottage manufacturing. The new technologies like additive manufacturing (3D printing) should be seen as a new opportunity in the new age manufacturing. The ~~was~~ Micro Small Medium Enterprises (MSME) sector which is characterised by low financing and low skill can be turned around with the recent govt push through funding coupled with the right skilling. The Make in India and Skill India are sure to give a boost to manufacturing in India if we tap the emerging technologies.

The on-going negotiations in various FTA deals must continue until we reach a favourable agreement. India is seen as a huge consumer market across the world. Hence we need not come under pressure and open up our markets prematurely. Negotiations ~~can~~ should be on gradual and phased manner which is favourable to India.

The focus on manufacturing sector is critical for our economic growth. It not only creates good forward and backward linkages, but also leads to creation of direct and indirect jobs. With the right planning and preparedness India can ride on the wave of fourth industrial revolution while safe guarding ourselves from the unfavourable FTAs.