

The Confederation of Indian Industry (CII) in partnership with OECD Emerging Markets Network Meeting organized a conclave on “Linking India with Global Production Networks” on 5<sup>th</sup> August 2015 in New Delhi. The objective of the business meeting was to analyse and discuss the challenges and opportunities to make India a global manufacturing Hub. The conference brought together approximately 100 participants including government officials, international agencies, academicians and industry chambers.



Moderating the inaugural session, Deep Kapuria Chairman, CII Trade Fairs Council, emphasized on developing an ecosystem, R&D and linking services sector with manufacturing sector for capturing greater value in GVCs. Amitabh Kant, Secretary DIPP, Government of India in his inaugural address emphasized on achieving higher manufacturing growth for generating adequate employment opportunities. In this context, government of India has taken series of measures such as ease of doing business, liberalization of FDI, e-based platform, tax reforms with the aim to make India an Industrial hub. Integrating Indian manufacturing sector to global production networks is an integral part of the reform measures. Bathylie Missika, head of the policy dialogue division, OECD, in her address spelled out the policy dialogue programme of OECD Development center and urged Indian government to join the policy dialogue. She pointed out that in order to sustain the current high growth in the long-run and emerge as a global powerhouse, India needs to become fully integrated into the global economy. Pirre de Bausset, President Airbus India, pointed out that in order to make India as manufacturing hub critical factors such as skills development, tax issues, complex procedures, regulatory environment, and infrastructure problems need to be addressed urgently. The inaugural session was followed by three more sessions discussed on three different aspects.

***The business meeting aims to analyse and discuss the challenges and opportunities to make India a ‘Global Manufacturing Hub’ in the light of government’s new ‘Make in India’ initiative and connecting Indian business with Global Business chains.***

The first session of the conclave discussed on changing trends and nature of global value chains in the world and measures required for India to be a successful party in GVCs. Speakers on this session agreed that nature of GVCs are changing rapidly due to change in technology, geopolitical risk and there are three aspects to changing nature of GVCs. These are uncertainty, complexity and variety. Due to rise in wage costs, the production process is becoming automatic and robotic. Also consumer preferences are changing towards more environment friendly products. The upcoming mega FTAs will create major hindrances in GVCs and India will be the affected party. It was agreed that in order to capture higher value in global value chains India needs major reforms in the areas of physical infrastructure, labour reforms, tax system, ease of doing business, integration of services with manufacturing, better logistics etc. In addition, the speakers have emphasized on the sequencing of reforms and integration of MSMEs into GVCs is also vital for India. In addition, India needs to invest heavily in R&D to be an integral part of GVCs.

The second session focused on the Indian production transformation strategy and the related policy challenges and options for India to become a global manufacturing hub. It was agreed that India can connect with global production networks only when it has a strong manufacturing sector. The manufacturing sector in India has immense potential and could grow at 10-12 percent per annum provided it is given supporting infrastructure and conducive regulatory environment. In this context, there are number of policy challenges that need to be addressed by the authorities. It was agreed that developing suitable financial system for financing infrastructure and logistic projects is vital for India's integration with GVCs. PPP mode has not brought expected results and there is need for developing special development financial institution for financing SMEs sector, innovation and R&D activities. In addition, both private and public sector need to collaborate on developing better and efficient supply chains. SMEs play a big role in developing manufacturing capacities in India and encouraging SMEs in export driven industries would require suitable policy reforms.

Automobile and ICT manufacturing in India has registered better success in India and automobile sector has been partially successful in connecting with regional and GVCs. Given the importance of this sector, the third and last session discussed the sectorial trends and dynamics of these two sectors to seize opportunities to integrate with GVCs. It was found the success of the Indian automobile sector is linked to adopting international standards, early liberalization and significant FDI inflows, higher expenditure on R&D and active state support. It was agreed that auto sector growth remained highly volatile and therefore there is need to build up a supply chain that is prepared to manage long-term growth but is also flexible and responsive to handle short-term volatility. Finally, it was agreed that trade reforms in the field of non-tariff measures (NTMs) and trade facilitation programmes would benefit Indian auto and ICT sector in GVCs.

In conclusion all the speakers agreed that India's share in GVCs remained small and at lower value end. Lot of efforts and policies are required to change this trend. In order to achieve higher value in GVCs, India would need to improve its infrastructure, skills, investment in R&D and innovation, and engage all stakeholders like private sector, civil society, academia and institutions.

