

The New Architecture of Growth: India's 21st-Century Industrial Policy and Global Ambitions

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Abstract—Amidst slowing global economic growth and rising structural protectionism, industrial policy has returned to the center of global economic strategy. Moving past historical import-substitution models, India is pioneering a modern framework that aligns with the World Bank's 21st-century industrial taxonomy. This paper analyzes India's strategic shift toward securing global value chains (GVCs) by deploying tailored public inputs, localized mega-clusters, and performance-tied market incentives like the Production Linked Incentive (PLI) scheme. It highlights how the country is structurally decentralizing its trade architecture by activating districts as export hubs via the Export Promotion Mission (EPM). Finally, the paper addresses the critical macroeconomic necessity of transitioning from low-value "screwdriver assembly" to core R&D and component-led engineering to build a resilient, globally competitive manufacturing ecosystem.

Keywords—Industrial Policy, Global Value Chains (GVCs), PLI Schemes, MSME Integration, Spatial Planning, Export Promotion Mission.

I. INTRODUCTION

For decades, the standard playbook for developing nations seeking rapid growth was straightforward: maintain sound macroeconomic indicators, invest steadily in human capital, and let open global markets handle the rest. However, as documented in the World Bank's comprehensive report, *Industrial Policy for Development: Approaches in the 21st Century*, the structural realities of global trade have fundamentally shifted [1]. Amidst slowing global growth, structural automation, and a sharp rise in strategic protectionism across advanced and middle-income economies, industrial policy—defined as deliberate state interventions designed to shape what an economy produces—has returned to the absolute center of global economic strategy.

Nowhere is this paradigm shift more evident, or more critical, than in India. As one of the world's fastest-growing major economies, India is actively rewriting its industrial narrative to achieve its ultimate goal of *Viksit Bharat* (Developed India). Historically burdened by the anti-export biases of mid-20th-century import substitution, India has transitioned toward a modern, sophisticated industrial policy model. By harmonizing localized market incentives with massive public input provisioning, India is leveraging these 21st-century frameworks to secure a central position in global value chains (GVCs), build domestic resilience, and drive sustainable economic growth.

II. CONCEPTUAL FRAMEWORK: BEYOND THE "EAST ASIAN MIRACLE"

To understand India's trajectory, one must look at how the World Bank redefines industrial interventions. Moving past the old binary debate of "picking winners" versus "free markets," modern industrial policy is classified into three distinct structural pillars [1]:

- **Tailored Public Inputs:** Providing industry-specific infrastructure, dedicated industrial parks, specialized skills development, and rigorous quality certification frameworks to resolve coordination failures.
- **Market Incentives:** Utilizing targeted production subsidies, public procurement advantages, local content requirements, and import tariffs to shift relative prices and make targeted domestic investments commercially viable.
- **Macroeconomic Interventions:** Aligning broad levers, such as competitive real exchange rates and strategic capital management, to support export competitiveness.

While high-income countries often deploy industrial policies defensively, developing and middle-income economies use them intensively to accelerate structural transformation [1]. For India, the primary objective is to bypass historical bottlenecks in manufacturing, create high-quality employment for a massive demographic windfall, and capture critical high-tech nodes like electronics, renewable energy, and advanced pharmaceuticals.

III. THE SPATIAL PIVOT: TAILORED PUBLIC INPUTS AND MEGA-CLUSTERS

A foundational insight from the World Bank repository is that generic infrastructure is no longer sufficient; global competitiveness requires tailored public inputs [1]. For a vast, geographically diverse nation like India, logistical fragmentation historically functioned as an implicit tax on manufacturing.

To counter this, India's modern industrial strategy focuses heavily on solving coordination failures through targeted spatial planning. The development of industrial mega-parks—such as National Industrial Corridor nodes, dedicated medical device parks, and mega textile zones—directly reflects the World Bank's emphasis on using dedicated spaces to reduce transaction costs [1].

By clustering manufacturing units alongside shared utilities, testing laboratories, and single-window regulatory clearances, the government provides the localized public goods that individual private firms cannot fund independently. These hubs create strong agglomeration economies, encouraging domestic suppliers and foreign multi-nationals to co-locate, thereby tightening local supply chains and accelerating knowledge spillovers.

IV. MARKET INCENTIVES: THE PERFORMANCE-LINKED SUBSIDY REVOLUTION

Perhaps the most visible alignment between India's growth strategy and the World Bank's industrial taxonomy is the aggressive deployment of market incentives, most notably via the Production Linked Incentive (PLI) schemes.

Historically, developing nations relied heavily on blunt instruments like import tariffs to protect domestic industries. While the World Bank report acknowledges that tariffs can temporarily accelerate growth if a nation possesses a large domestic market, they risk creating uncompetitive domestic monopolies if left untethered to performance [1]. India's PLI framework completely reengineers this dynamic. Rather than subsidizing inputs or offering open-ended protectionism, the PLI scheme functions as a performance-tied market incentive, rewarding manufacturers with financial incentives ranging from 4% to 6% on the incremental sales of products manufactured domestically over a base year.

4.1 The Electronics and Semiconductor Surge

In sectors like mobile phones and consumer electronics, the PLI framework has fundamentally altered global manufacturing geography, catapulting India into the position

of the world's second-largest mobile phone manufacturer. While this policy has successfully transitioned India from a net importer of finished devices to a major global exporter—with electronics exports surging past \$47 billion—a deeper macroeconomic structural imbalance remains. Despite the exponential rise in finished exports, India's electronics trade deficit has continuously widened from 2014 through 2026, with current electronics imports outstripping exports by roughly 2.4 times (\$116.18 billion in imports against \$47.69 billion in exports).

This expanding deficit highlights a critical vulnerability that directly impacts local MSMEs: the current domestic manufacturing model relies heavily on "low-value, screw-driver assembly." A significant portion of manufacturers continue to import high-value sub-assemblies, printed circuit boards (PCBs), and integrated circuits (ICs) directly from overseas, executing only final product assembly in India before re-exporting.

To build a truly sustainable, resilient, and self-reliant *Atmanirbhar Bharat*, India's electronics strategy must aggressively transition from simple assembly to component-led manufacturing and original design. Sustained growth will not come from mere import substitution, but from driving deep core R&D, establishing localized component ecosystems, securing full-stack intellectual property (IP), and transitioning from "Assembled in India" to a fundamentally engineered "Designed and Made in India" global powerhouse.

4.2 Pharmaceuticals and Advanced Chemistry

By targeting active pharmaceutical ingredients (APIs) and advanced chemistry cell (ACC) batteries, the policy explicitly drives value-chain escalation, moving the domestic sector from low-margin formulation assembly to high-margin, technologically complex production.

4.3 Decentralized Trade: Activating Districts as Export Hubs

To structurally decentralize India's trade architecture, the Export Promotion Mission (EPM)—backed by a robust ₹25,060 crore outlay extending to FY2030-31—has entered its full-scale field implementation phase over the past year [2]. Orchestrated by the Directorate General of Foreign Trade (DGFT), this initiative has moved past the framework drafting stage to formally activate District Export Promotion Committees (DEPCs) and execute structured District Export Action Plans (DEAPs) across the hinterlands.

Driven by core financial and non-financial support mechanisms like *Niryat Protsahan* and *Niryat Disha*, the mission directly addresses long-standing grassroots

challenges—such as bridging global information asymmetry for regional entrepreneurs, onboarding MSMEs onto cross-border e-commerce platforms, and setting up localized product-testing laboratories. By converting distinct regional micro-strengths, geographical indication (GI) products, and local crafts into structured international pipelines, this localized activation drive is successfully transitioning the country from a centralized export model into a network of highly specialized, self-reliant regional export powerhouses.

By making subsidies contingent on actual output and export metrics, India enforces a strict "carrots-and-sticks" discipline. This directly echoes the World Bank's policy guidance: market incentives succeed only when they are transparent, time-bound, and explicitly tied to global competitiveness and productivity thresholds [1].

V. DATA & COMPARATIVE ANALYSIS

To evaluate the tangible impact of these structural interventions, this section examines India's standing across global manufacturing outputs and competitiveness indexes.

Table 1:

Rank	Country	Annual Manufacturing Value (USD)	Aprx. Share
1	China	\$ 4.66 Trillion	~ 18 %
2	United State	\$ 2.50 Trillion	~ 9.5 %
3	Japan	\$1.05 Trillion	~ 4.0 %
4	Germany	\$ 839 Billion	~ 3.2 %
5	India	\$ 416 Billion	~ 1.8 %

(Data Framework: Synthesized from UNIDO & World Bank National Accounts data repositories)

5.1 Global Competitiveness Metrics

The World Bank report stresses that an industrial policy is only successful if local firms can eventually survive in global markets without government help. India's metrics show clear upward momentum across verified global evaluations:

- **Global Innovation Index (WIPO):** India ranks 38th globally, leading all lower-middle-income countries due to its massive digital tech and engineering talent base [3].
- **Competitive Industrial Performance Index (UNIDO):** India ranks 37th, showing that its factory goods are becoming structurally more advanced and competitive [4].
- **IMD World Competitiveness Ranking:** India sits at 41st, showcasing highly efficient business environments but highlighting a continued need to upgrade basic regional infrastructure [5].

VI. DISCUSSION & REGIONAL IMPLEMENTATION FRAMEWORK

While wealthy industrial states capture the majority of factory investments, lower-income regions risk being left behind. To bridge this gap, India is executing a targeted regional framework. Every single stage of this strategy maps directly to live governance portals, offering an immediate roadmap for individual entrepreneurs to scale operations:

1. **Direct Low-Skilled Manufacturing to High-Poverty Zones (Active Mass-Employment Phase):** High-tech factories require highly specialized engineers, but low-income regions need massive numbers of accessible, entry-level jobs first to shift families out of agricultural dependency. This is facilitated directly through the PM-MITRA and ASPIRE frameworks.
2. **Build Dedicated Inland Logistics Hubs (Active Infrastructure Phase):** To lower transport costs for landlocked states, the government is moving customs clearance and container packing into the hinterlands via Multi-Modal Logistics Parks (MMLPs), the PM GatiShakti National Master Plan, and the National Logistics Policy (NLP).
3. **Overhaul Local Technical Training Institutes (World Bank PPP Model Phase):** Aligning skills development programs with actual market needs by utilizing modern automation in training, model under the DAKSH PPP initiatives.
4. **Integrate Small MSMEs into Major Supply Chains (Active Small Business Phase):** Helping informal workshops transition into digital storefronts with verified compliance tracking and structural cash flows through the Trade Enablement and Marketing (TEAM) Initiative, Niryat Protsahan, and TReDS.

VII. CONCLUSION

The World Bank's landmark report proves that the era of government passivity is over; states must actively coordinate their economic growth [1]. India's modern industrial strategy is successfully turning the nation into a global manufacturing power. By taking the factory boom out of wealthy coastal hubs and scaling it up across inland regions through PM MITRA, Inland Container Depots, the World Bank-assisted DAKSH PPP models, and aggressive SIDBI funding for small firms, the country is executing a masterclass in modern economics. If these policies maintain their momentum, India will secure its position as an unstoppable global superpower while permanently lifting millions of its citizens out of poverty.



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