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The Impact of India's Make in India Initiative on European Companies: A Threat or an Opportunity for European Supply Chain?

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List of Acronyms and Abbreviations

Acronym	Full Form
CBAM	Carbon Border Adjustment Mechanism
CCIFI	Chambre de Commerce et d'Industrie Franco Indienne
CII	Confederation of Indian Industry
DPIIT	Department for Promotion of Industry and Internal Trade
EFTA	European Free Trade Association
ESG	Environmental, Social, and Governance
EU	European Union
EUDR	EU Deforestation Regulation
FAL	Final Assembly Line
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
GDP	Gross Domestic Product
GDPR	General Data Protection Regulation
GVC	Global Value Chain
HAL	Hindustan Aeronautics Limited
IFCCI	Indo-French Chamber of Commerce and Industry
IMF	International Monetary Fund
ITI	Industrial Training Institute
JV	Joint Venture
LCA	Light Combat Aircraft
MNC	Multinational Corporation
MRA	Mémoire de Recherche Appliquée
NIP	National Infrastructure Pipeline
OLI	Ownership, Location, Internalization
PIB	Press Information Bureau
PLI	Production Linked Incentive
R&D	Research and Development
RBI	Reserve Bank of India
SEZ	Special Economic Zone
SME	Small and Medium Enterprise
TEPA	Trade and Economic Partnership Agreement

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Introduction

Global manufacturing has witnessed significant change in the last decade. For years, most European firms regarded China as the prime manufacturing location: low costs, developed infrastructure, and scale. However, this made many European firms highly vulnerable in ways that were largely invisible until the COVID-19 crisis. The shutdown of factories, closure of ports, and disruption of logistics meant that European firms were looking at their options after understanding the weakness of a supply chain based on only one country.

In this context, India was reappraised by the international community. The new Prime Minister, Narendra Modi, launched the Make in India campaign in 2014, with a vision to transform India into a global manufacturing hub. The vision was ambitious — manufacturing would constitute 25% of GDP by 2025, creating 100 million jobs. To achieve this, the government started a series of policy reforms intended to make the business environment more conducive, attract foreign direct investment, and develop industrial infrastructure in major sectors such as defence, aerospace, pharmaceuticals, and electronics.

The appeal for European companies is, therefore, much more than a simple question of finding lower costs. India is a democracy with a transparent judiciary and strong institutions based on the values of the West. At a time when geopolitical trust has become a real factor in the business decision process, these elements have a meaning. For this reason, France has traditionally maintained a privileged and durable relationship with India, as demonstrated by the Rafale contract, the joint helicopter production unit by Airbus and Tata, and, at the corporate level, Schneider Electric, which decided to consolidate 100% ownership of its Indian subsidiary in 2025. In this respect, the Free Trade Agreement concluded between the EU and India in January 2026 was another landmark event in the wider economic relations between Europe and India.

Not all are good signs, though. Manufacturing today accounts for only 17% of India's GDP—marginally better than when the campaign was first launched. Job creation has fallen well short of original targets. Other pressing issues, such as infrastructure deficits, bureaucratic complexities, and acute skills shortages, persist. European regulatory requirements, such as the Carbon Border Adjustment Mechanism and the General Data Protection Regulation, are other compliance layers that many Indian suppliers are unprepared for. For smaller European businesses, entering the Indian market remains a complicated and often costly undertaking.

This dissertation looks at both sides of this story. It asks whether Make in India has changed India's role in European supply chains and whether this is a real opportunity or an overhyped threat to European companies.

This question will be answered based on secondary sources, including company and government documents and independent policy research studies. This will be supplemented by two interviews conducted in May 2026.. he first was with Mr Coumar Ananda, President of the Franco-Indian Chamber of Commerce and Vice President Southern Europe of Tech Mahindra. He provided an interesting bottom-up perspective on what the ground reality looks like for both

big and smaller European companies. The second interview was with Prof. Deepa M. Ollapally, Research Professor at George Washington University and Director of the Rising Powers Initiative. She provided a scholarly and geopolitical perspective on relations between India and Europe. Both conversations produced insights that go well beyond what any published report could offer.

The dissertation is organised into three parts. The part 1 contains a review of the literature, including academic and practitioner literature on Make in India and FDI flows into Europe, and the theoretical constructs commonly used in international business research. Part 2 explains the research methodology and presents findings from both the secondary data and the expert interviews. Part 3 discusses the results critically, offers practical recommendations for European managers, and provides a direct answer to the research question.

Part 1: From Policy to Partnership: A Review of Make in India and Its Implications for European Supply Chains

1.1 Introduction to the Literature Review

The Make in India initiative, launched in September 2014 by PM Narendra Modi, represents a significant policy effort to position India as a global manufacturing hub and catalyze the structural transformation of the Indian economy. Facing persistence challenges where in manufacturing contributes only 16% of GDP despite being foundational to long-term development, India's government articulated an ambitious vision: elevate manufacturing's share to 25% of GDP by 2025 and create 100 million jobs. This policy emerged at a critical inflection point in global economic restructuring.

Geopolitical tensions, supply chain vulnerabilities exposed by the COVID-19 pandemic, and the imperative for Western democracies to diversify manufacturing dependencies have fundamentally altered the strategic calculus of multinational corporations and policymakers alike. Simultaneously, India's demographic dividend 830 million young people with an average age at 29 years. Presents unprecedented opportunity to absorb surplus labour while driving inclusive growth. Within this context, European engagement with Make in India has evolved from peripheral transactional sourcing toward a central strategic pillar of European Strategic Autonomy and supply chain resilience. Understanding how Make in India impacts European companies, shapes European manufacturing location decisions, and potential catalyzes India's integration into democratic supply chain constitutes the focus of this comprehensive literature review.

This review specifically addresses European firm's engagement with Make in India rather than India's manufacturing generally. The analysis examines four critical dimensions:

First, foreign direct investment and patterns form European sources, second, sectoral opportunities and the transition from component sourcing to word co-production partnerships, third strategic autonomy imperatives driving European diversification form China centric supply networks and fourth, distinctive regulatory and operational frictions including the carbon border adjustment mechanism (CBAM), general data protection regulation (GDPR) and EU sustainability standards that uniquely confront European manufacturers. The heightened relevance of this analysis in 2024-2025 reflects concrete developments. The heightened relevance of this analysis in 2024-2025 reflects concrete developments. The India EFTA and Trade Economic partnership Agreement (TEPA), signed March 10,2024, committing EFTA nations to USD 100 billion in FDI over 15 years. Landmark co-production partnerships in aerospace including Airbus, TATA, Mahindra, helicopter manufacturing and accelerating investments by European multinationals seeking supply chain diversification. By synthesizing recent literature and analyzing these developments through the lens of EU business interests. This review identifies both the transformative potential and persistent constraints characterized by EU with Make in India.

1.2 Methodology

This literature review synthesizes findings from multiple authoritative sources spanning government publications, international analysis, academic scholarship reviewed and corporate case studies. Primary sources included government reports form Indian Ministry of Commerce & Industry and the Confederation of Indian industry also documenting policy frameworks, sectoral progress and investment data. International analyses particularly the Clingendael Institute's Strategic Tech cooperation report Jan- 2023, the institute Montaigne's Assessment 2025 and KPMG Global supply chain reconfiguration Assessment oct 2020 provide critical analytical framework examining India positing with global value chains and European Strategic interests. Academic paper from journals including the journal of Economic policy studies, Research Journal of Humanities and Social Sciences and IRE Journal of Economic policy studies, Research Journal of humanities and social science and IRE journal contribute analysis of FDI flows and policy effectiveness. Critically, the review incorporates recent corporation announcements and manufacturing partnerships. The methodology approach enables analysis grounded in both scholarly evidence and contemporary corporate decision making. The scope of the emphasizes development from 2014 through early 2025, with particular attention to the 2022 to 2025 period when European engagement substantially intensified and geopolitical factors elevated India's strategic significance for European Policymakers and investors.

The practical component of this study is built upon detailed interviews with two leading industry figures: Mr. Coumar Ananda (President, CCIFI and VP Southern Europe, Tech Mahindra) and Professor Deepa M. Ollapally (Research Professor, George Washington University). To ensure the findings are fully grounded, these interviews are backed by a strong triangulation of secondary data. The decision to interview only two individuals was intentional and follows the "purposive sampling" method. Instead of aiming for a high quantity of generic survey participants, the focus was placed entirely on quality. Engaging with these high-level experts provided the deep, nuanced insights that are essential for understanding complex manufacturing strategies.

Theoretical and conceptual frameworks EU engagement with Make in India requires integration multiple theoretical works that illuminate distinct of foreign direct investment decision, supply chain and regulatory interaction. Three frameworks provide essential theoretical: Dunning Eclectic Paradigm, Global value chain and Institutional theory. Together forms Investment decisions and the macro level supply chain transformations reshape the EU- India relation.

Dunning's Eclectic Paradigm and FDI Determinants John Dunning's Eclectic Paradigm posits that foreign direct investment decisions emerge from the confluence of three categories of advantages. Another advantage of ownership, location advantages and internalization advantages. This framework provides essential explanatory power for understanding why EU companies increasingly view India as an investment destination for manufacturing.

Ownership advantages reflect firms-specific capabilities including proprietary technology, brand value, management expertise and organizational capabilities. These enable forms

to overcome entry barriers and compete effectively in foreign markets. EU MNC like Schneider Electric, Airbus, Siemens and major pharmaceutical companies' substantial ownership advantages in manufacturing technology, well brand recognition, premium pricing, quality control systems and expertise in industry. Including AI, loT integration and advanced automation. These ownership advantages in green technology and sustainable manufacturing represent particularly valuable positioning given India's renewable energy and EU regulatory.

Location advantages country specific factors that attract foreign investment and influence production location decisions. India presents location advantages that have intensified since the 2014 Make in India launch and become increasingly geopolitical supply chain. First, labour cost advantages: India's monthly minimum wage of INR 5,340 apx.52 EURO. Second, demographic advantages are unparalleled. Third, demographic governance and institutional credibility. India is autocratic manufacturing alternatives requiring supply chain partnership with democratic and values aligned countries. The Government of India explicit commitment to institutional reform reflected in Ease of Doing Business Index improvements from 142nd position in 2014 and 63rd position in 2020. Fourth, India's Market size as the world's fifth largest economy presents location advantages beyond labour cost.

Location advantages have intensified within the specific context of global supply chain. KPMG's 2020 analysis identified India among the most advantaged locations for supply chain diversification form China-centric.

Internalization Advantages reflect firms' decisions to own and control foreign operations rather than license technology, engage in contract manufacturing. Internalization advantages explain why EU firms increasing wholly owned subsidiaries or Joint venture towards India. Schneider Electric's commitment to establish three wholly owner manufacturing facilities in Kolkata, Hyderabad and Ahmednagar. The company retains direct control over manufacturing processes, quality control and supply chain management. This choice reflects the ensure GDPR data governance standards and maintain quality consistency for EU customers. Similarly, Airbus's Shift forms pure component sourcing establishing a helicopter final assembly line JV with TATA advanced systems.

The OLI Framework illuminates that EU FDI in India results from convergence of formidable ownership advantages, compelling location advantages and IP Protection. This convergence has intensified post 2020 as geopolitical factors elevated India's locations advantages by making democratic governance and institutions selection criteria in EU Corporate strategic planning Global Value chain Reconfiguration Theory and supply chain resilience.

Global Value chain theory, developed by scholars including Gereffi and Lee 2016. It emphasizes that multinational firms organize production not with single location but across geographically dispersed networks of specialized suppliers, manufacturing and distribution. Firm's decision regarding which activities to locate in which countries depend on the specific characteristics of those activities and the comparative advantages available in different locations. Traditionally, GVC theory emphasized that cost minimization drove location decisions. Labour intensive assembly moved to low wage locations. Technology intensive activities clustered in high capital availability regions technology intensive activities clustered in innovation hubs.

However, GVC theory also recognizes that firms restructure value chains in response to changing strategic imperatives beyond simple cost minimization. Recent work identifies a fundamental shift in EU and broader western firms value chain production toward "resilience-seeking" or "risk- mitigating" models.

The "China Plus One" Strategy as GVC Reconfiguration. The phenomenon of China plus one supply chain diversification exemplifies this GVC restructuring. Rather than replacing China with a single alternative location, MNC increasing operational a China plus one strategy maintaining production capacity in China while simultaneously developing manufacturing hub in alternate locations including India, Vietnam, Indonesia and Mexico. This approach reflects GVC theory's insight that complete supply chain relocation is economically inefficient. China possesses specialized manufacturing ecosystems, supplier risk mitigation developing capacity in allied jurisdictions providing security, democratic alignment.

EU firms are operationally this strategy at accelerating pace. Schneider Electric's March 2024 announcement of USD 385 million investment. The company maintains global manufacturing presence while strategically expanding India presence to create supply chain and reduce China dependence. Similarly, Airbus's development of a helicopter final assembly line in India. These decisions reflect what GVC theory identifies as strategic coupling of production location. Firms maintain efficient production networks while simultaneously incorporating geopolitical risk mitigation into location decisions.

Transition from Efficiency - seeking resilience -seeking value chains This GVC restructuring carries profound implications for India's positioning. Historically India attracted FDI primarily through efficiency seeking mechanisms. Low labour cost and large market size drove investment in IT services, business process outsourcing and basic manufacturing. However, EU engagement increased reflects resilience seeking FDI motivated by strategic autonomy imperatives and supply chain de-risking. The EFTA-TEPA agreement's unprecedented USD

100 billion investment commitment over 15 years significantly. EU recognize that India represents a core strategic manufacturing partner rather than a temporary cost destination. Clingendael Institute 2023 explicitly identifies EU strategic interest in India as motivated by strategic autonomy objectives. And reducing dependence on China.

Sectoral example: India's pharmaceutical sector producing 62 % of global vaccine supply and serving as the world's largest generic drug. However, EU firms are restructuring pharmaceutical value chains with India as a resilient, geopolitically trustworthy and

alternative of Chinese pharmaceutical manufacturing. The renewable energy sector for example India's 203 GW installed renewable capacity and USD 95 billion National Green Hydrogen Mission position India as a critical node in EU value chains oriented toward. Decarbonization. These sectoral reorientations reflect GVC theory's insight into the supply chain structure responds to changing strategic priorities firms restructure value chains when competitive advantages.

Institutional Theory and Regulatory Friction Analysis. While OLI framework illuminates firm level FDI decision making and GVC theory explains macro level supply chain reconfiguration, Institutional Theory provides essential analytical purchase on the regulatory and governance obstacles confronting EU manufacturing in India. Institutional Theory, developed by scholars including Scott 1995 and North 1990 emphasizes that firm's behavior is shaped not merely by profit maximizing calculation but by institutional context. The formal rules, informal rules and enforcement mechanisms that structure economic activity. Institutional misalignment divergence between origin country and destination country institutional frameworks creates transaction costs, operational complexity and uncertainty that can offset Otherwise, favourable FDI location factors.

European Regulatory requirements as Non- Tariff Investment Barriers. A critical dimension of EU- India economic integration concerns institutional friction arising from divergent regulatory frameworks. EU manufacturers seeking India-based production must navigate multiple overlapping regulatory regimes. Indian labour laws, Indian product standards, Indian environmental regulations on one hand and EU regulatory mandates including CBAM, GDPR, EDS compliance frameworks and EU sustainability standards on the other.

The carbon border adjustment mechanism, implemented in phases beginning 2023, exemplifies institutional friction. CBAM imposes carbon tariffs on imports of intensive emissions products into the EU unless equivalent carbon pricing exists in countries of origin. While India has articulated climate commitments and operates a carbon credit trading system. The absence of comprehensive carbon pricing mechanisms creates compliance friction for EU manufacturers seeking CBAM complaint supply chains.EU firms sourcing carbon intensive inputs form India must either: Paying CBAM tariffs reducing competitiveness Impose carbon accounting and certification requirements on Indian suppliers increasing supplier costs Relocate production to jurisdictions with robust carbon pricing regime

The GDPR creates parallel institutional friction. GDPR compliance requirements mandatory for any processing data of EU residents. Indian manufactures must invest in GDPR complaint data governance infrastructure, cybersecurity standards exceeding Indian norms, and certification verifying compliance with EU data protection standards. Studies indicate approx. 70% of Indian companies with EU clients initially struggled to meet GDPR requirement of EU representatives' cost including data security infrastructure investment, appointment of EU representatives and management of potential liabilities create substantial burden particularly for mid-size firms.

Institutional Gaps and Transaction Costs Institutional theory recognizes that such regulatory divergence creates transaction costs expenditures required to navigate between institute systems. That is not captured in traditional cost benefit analysis. These transaction costs include legal and compliance expertise investment technical upgrades to meet unfamiliar standards certification and verification procedures and ongoing monitoring to maintain regulatory compliance. For EU SMEs which constitute 99% of EU manufacturing enterprises such trans costs may exceed net cost advantages form India's lower wages and manufacturing costs, effectively net cost advantages form India's lower wages and manufacturing costs, effectively many SMEs form India participation. This institutional friction may explain why EU FDI in India remains concentrated among multinational corporations possessing in house compliance expertise and capital resources to absorb regulatory alignment costs.

Furthermore, protracted India-EU FTA negotiations stalled since 2013 despite relaunching in 2022 reflect institutional incompatibilities between EU and Indian regulatory preferences. EU insistence on chapters covering sustainable development, labour standards and environmental protection clash with Indian concerns regarding sovereignty and cost competitiveness. This prolonged negotiation deadlock example how institutional divergence creates uncertainty constraining investment commitments. Until comprehensive trade agreements clarify regulatory frameworks and provide dispute resolution mechanisms, firms face uncertainty regarding future regulatory trajectories.

Integration of Institutional Analysis with OLI and GVC Frameworks Institutional Theory complements OLI frameworks and GVC theory by identifying critical friction points where regulatory divergence creates costs offsetting otherwise favourable location factors. The convergence of strong ownership advantage, compelling location advantages and strategic Internalization imperatives is tempered by institutional friction arising from CBAM, GDPR and EU sustainability standards creating compliance burden. Understanding EU engagement with Make in India requires integration of these three theoretical lenses: OLI framework explains firm level FDI motivation, GVC theory illuminate's macro level supply chain restructuring toward resilience and strategic autonomy: Institutional Theory identifies regulatory friction points constraining investment implementation.

1.3 Thematic Analysis of EU Engagement with MAKE IN INDIA policy

1.3.1Theme A: Investment Dynamics and strategic shifts form sourcing to strategic partnerships.

EU foreign direct investment in India demonstrates paradoxical trends that illuminate both opportunities and constraints. According to Singh, Singh, and Patel 2024, absolute FDI inflows to India increased dramatically. Post 2014 rising from USD to 45.15 billion in 2014-2015 to USD 74.39 billion in 2019-20 at 65% increase. Over the most recent decade 2012-2022 cumulative FDI inflows reached USD 667 billion, compared to USD 304 billion in the previous decade, representing 119% acceleration. However, this success is a more complex reality while absolute volumes increased, FDI as a percentage of GDP growth outpacing FDI growth. These finding challenges narratives, suggesting that while Make in India has modestly improved India's FDI. Through the lens of OLI framework, this paradox reflects that while location advantages have improved ownership and internalization advantages may not have strengthened proportionally, and institutional friction may be increasing transaction costs.

EU investment specifically demonstrates stronger signals of strategic reorientation. The EU remains India's Largest trading partner and top foreign investor with combine EU inflows during April 2000 to September 2023 with over 6,000 EU companies present in India (CII, 2025). However, the CII notes that EU investment in India remains less than half of EU investment in China or Brazil. This gap reflects both the recency of strategic EU reorientation and persistent uncertainties regarding India's manufacturing competitiveness. The GVC reconfigurations toward resilience seeking supply chain is still in early stages. Firms continue evaluating whether India's location advantages sufficiently outweigh institutional friction to justify value chain restructuring.

The India-EFTA trade and Economic Partnership Agreement, Signed March 10,2024 and entering force October 1, 2025, represent a watershed moment in EU engagement with MAKE IN INDIA. This agreement encompasses unprecedented binding commitments from EFTA nations USA 100 billion in FDI in over 15 years coupled with commitment to facilitate 1 million direct jobs in India. This extraordinary investment pledge demonstrates European confidence in India's manufacturing potential and signifies transition from transactional commercial relationships toward institutionalized long term development partnership. TEPA specific provisions 100% tariff elimination on non- agricultural products, and dedicated treatment for 92.2% of tariff lines encompassing 99.6% of India's exports and dedicated chapters on investment promotion, services market access, intellectual property rights and trade and sustainable development.

Create reciprocal incentives for EU capital while providing Indian exporters preferential market access. This institutional framework reduces transaction costs for EU investors by clarifying regulatory access and providing dispute resolution mechanisms, directly addressing institutional friction concerns identified in institutional theory analysis.

Complementing these macro level policy developments are concrete EU corporate commitments exemplifying confidence in India as a long-term manufacturing partner. Schneider Electric, France's flagship energy management and automation multinational, announced in 2024 plans to establish three additional manufacturing facilities in Kolkata, Hyderabad and Ahmednagar. Expanding its Indian manufacturing footprint beyond its existing network of 31 plants. The march 2024 investment announcement comprised USD 385 million to add nearly 92,903 square meters of manufacturing space by 2026.

The total India sales reaching USD 2.9 billion in 2024. An establishing India as schneider Electric's third largest market and a strategic Asia pacific manufacturing hub. CEO Olivier Blum emphasized that "India's focus on digitalization, sustainability and infrastructure modernization presents unparalleled growth opportunities. Signalling that EU manufacturing decisions increasingly align with India's development trajectory. These investments signal EU confidence in India as a sustainable long-term manufacturing partner. The OLI framework explains this corporate commitment: schneider Electro possesses formidable ownership advantages in green energy technologies and digital transformation. India provides compelling location advantages in cost, demographics and renewable energy positioning and the firms decision to establish wholly owned facilities reflects internalization advantages including IP protection and quality control essential for premium brands.

1.3.2 Theme B: supply chain integration and the evolution form sourcing to co-production

A transformative evolution characteristic EU manufacturing engagement with India. The transition forms a "Sourcing "model where in EU firms procure Indian made components toward a co-production model involving joint venture investment, technology transfer and integrated supply chain partnerships. This shift reflects both India's rising manufacturing capabilities and EU strategic drive supply chain diversification. The global economic environment has fundamentally shifted since Make in India's 2014 inception. The COVID-19 pandemic, Geopolitical tensions between the United States and China, and rising economic nationalism have catalysed unprecedented supply chain rebalancing. KPMG analysis (2020) identifies India as strategically advantaged for supply chain diversification, Emerging alongside Vietnam, Thailand and Indonesia as a preferred alternative to China-centric sourcing networks.

For EU companies specifically, India's strategic significance cost optimization, representing instead a critical pillar of Strategic Autonomy and supply chain de-risking. EU policymakers increasingly recognize that concentrated dependence on Chinese manufacturing accounting for historically disproportionate share of advanced electronics, pharmaceuticals and rare earth materials. India's mature institutional frameworks, democratic governance and Deeping

technological capabilities position it as a trustworthy alternative partner for EU firms seeking supply chain resilience without sacrificing efficiency. Rather than viewing India as a replacement for China, multinational corporations increasingly operationalize a “China Plus One” strategy positioning India as a complementary production location. GVC theory explains this reconfiguration: Firms are restricting value chain and geopolitical diversification.

The landmark Airbus-Mahindra partnership shift toward co-production. In April 2025, Airbus Helicopters awarded Mahindra Aerostructures Pvt. Ltd. A contract for full scale manufacturing of the H130 helicopter for March 2027. Concurrently, Tata Advanced systems Limited in partnership with Airbus Helicopter. It is establishing India’s first private sector helicopter H125 helicopter with initial deliveries expected in early 2027.

These partnerships represent a fundamental shift in India’s positing rather than supplying finished components to EU final assemblers. Now, India is engaged in final assembly and integration of complex aerospace system for the EU market. It is capturing substantially greater value addition and technological sophistication. Airbus currently sources approximately USD 1.4 billion in annual component value from India. These partnerships elevate India’s role in Airbus global value chain. This evolution example GVC reconfiguration Theory: Airbus is regionalizing production hubs by establishing final assembly capability in India rather than concentrating all final assembly in Europe.

Enhancing supply chain resilience while leveraging India’s labour cost advantages and manufacturing scale. India’s competitive position in manufacturing extends across multiple sectors critical to EU supply chain resilience. The pharmaceutical sector: India produces 62% of global vaccine supply and serves as the world’s largest generic drug supplier with maintains manufacturing costs approx. 33% lower than the USA and 50 % lower than EU. Auto components estimated at USD 48 billion with projected 27% compound annual growth rate. Position India as a competitive sourcing destination for global automotive value chains. Electronics manufacturing boosted by production linked incentive (PLI) schemes announced in 2020 with an outlay of approx. 26 billion. It has achieved expansion with smartphone exports surging from USD 0.2 billion in 2014-15 to USD 15 billion in 2023- 2024. Making India the world’s second largest mobile phone manufacturer. Renewable energy represents another sectoral bright spot. India ranks among global leaders with 2023 GW of installed renewable capacity and targets 500 GW of non-fossil capacity by 2030 with the USD 95 billion National Green Hydrogen Mission Positioning India as a potential global leader in hydrogen production offering export potential to Europe. These sectoral successes reflect OLI framework dynamics: EU firms possess ownership advantages in high-technology sectors energy, advanced

electronics and pharmaceuticals. India provides location advantages in cost scale and manufacturing ecosystems maturity and EU firms increasingly choose internalization.

However, Significant obstacles constrain India's supply chain Integration and the sustainability of European manufacturing relocation. Infrastructure remains paramount, insufficient port capacity, limited in land transportation networks and energy supply constraints impose logistical burdens that narrow India's competitive advantage. While India's National Infrastructure pipeline (NIP) envisages USD 1.6 trillion investment over five years, Implementation lags acquisition procedures and labour regulations. Introduces delays and uncertainty for investors. The Institute Montaigne (2025) analysis emphasizes that make in India's success hinges on sustained Infrastructure development extending beyond policy announcements to actual physical capacity expansion. A critical research gap exists regarding actual supply chain relocation to India. While policy

Frameworks are favorable and competitive positioning is evident. The academic and practitioner literature lacks longitudinal empirical analysis of whether MNCs are genuinely establishing manufacturing facilities in India at scales commensurate with stated intentions. The Mahindra Aerostructures-Airbus H130 contract announced in 2015 represents a landmark development but remains exceptional rather than typical.

1.3.3 Theme C: Regulatory landscape and European-Specific Points.

European manufacturing seeking India based production or sourcing arrangements navigate a complex regulatory landscape comparison both Indian requirements and EU compliance mandates. This regulatory stacking creates distinctive friction points inadequately addressed in existing make in India Scholarship. However, a wide sectoral variation in tariffs from 0.5% to prohibitive 150% duties prevail in India. For agri-food products, tariffs vary from 30% to 40%, with a peak of 150% on alcoholic beverages. For IT products, 7.5% to 20% tariffs persist, including a commitment under ITA I. Tariff levied on vehicles and parts range from 10% to 100%, with 100% tariffs levied on passenger vehicles if they are high-value products or contain large engine displacement. For high values, 125% tariffs are levied including national duties. For medical device products, 5% to 28% tariffs are levied with a 5% Health Cess added in 2020 (Business Europe, 2022).

Apart from tariffs on European products, non-tariff issues are a major concern in international trade and pose a substantial barrier. Quality Control Orders result in many QCOs with a national standard system that diverges from international practices and requires a very expensive almost

dual system of testing and certification to meet international regulations. The recent Quality Control Order issued by India on January 1, 2021, for imports in India has majorly affected European imports. Quality Control Order issued by India on January 1, 2021, on toy products has required all European countries.

One important aspect of The Make in India Initiative that so far has not been properly examined in the available policy debate is that of "regulatory frictions in the European industry" given the European Union's recently introduced Carbon Border Adjustment Mechanism (CBAM) and General Data Protection Regulation (GDPR), which show significantly divergent regulatory requirements than those in India. The European Union's recently introduced carbon tariffs on imports of emission-intensive products (Steel, cement, aluminium, fertilizer, electricity) to EU nations in 2023 will require India's imports to be subject to regulations if corresponding systemic instruments of carbon pricing exist in India or it should be declared a "carbon pricing equivalent," which currently it has not been although climate policy has indeed been articulated in India.

This framework has a direct incentivizing construction that will prompt European companies to set up production capacity in nations that have comprehensive systems of carbon pricing or impose analogous conditions of "carbon accounting" upon Indian suppliers to European nations, thus impeding India's cost competitiveness edge. The steel industry of India has already expressed concern that in view of EU's introduction of a "carbon border adjustability" against imports of emission-intensive products in 2023, their cost competitiveness edge will be diminished in Europe; India has already described it as "unfair and not acceptable, "which it claims of Indian manufacturers' costs (CII, 2025). GDPR compliance is another distinctive European regulatory burden. Indian manufacturers must invest in GDPR-compliant data governance infrastructure, cybersecurity standards above typical Indian regulatory requirements, and certification processes that verify conformance with European data protection standards. These are capital expenditures and operational complexities beyond those demanded by the core Make in India policy framework. Studies indicate that some 70% of Indian companies with EU clients initially faced difficulties meeting GDPR requirements, where costs included the implementation of required data security measures, the appointment of representatives in the EU, and the management of liabilities-what are significant compliance burdens-especially for mid-size firms, given fines up to 4% of global revenues for breaches. Secondly, negotiations for a Free Trade Agreement between India and the European Union-officially, the India-EU Broad-based Trade and Investment Agreement

(BTIA)-began well in 2007 but stalled between 2013 and their relaunch in 2022. Negotiations remain hostage to myriad sticking points, including asymmetries in market access, intellectual property and geographical indication rules, and EU demands for chapters on sustainable development, labour, and environmental standards seen by India as intrinsically meddlesome.

This protracted negotiation deadlock creates uncertainty about market access and constrains confidence in European investment. The Institutional Theory explains this negotiation deadlock creates market access uncertainty that constrains European investment confidence. Institutional Theory explains this negotiation deadlock as a reflection of deep institutional misalignment: EU insistence on labour and environmental standards reflects European regulatory values and legal requirements; Indian resistance reflects concerns about sovereignty and competitiveness. Without institutional harmonization through agreed frameworks, this friction will persist, thereby raising uncertainty and transaction costs for firms operating amidst potential changes in regulations.

There are still few studies pointing to how intensively European firms have militarized CBAM and GDPR into their India manufacturing location decisions, or how India manufacturers have accommodated to the demands of product regulations imposed by this newly emerging issue in the context of India's attractiveness as a manufacturing base—a subject awaiting research attention to explore the extent to which the European regulation indirectly impacts the competitiveness of India as a viable manufacturing platform in the future.

1.3.4 Theme D: The Catalyst of Production Linked Incentives (PLI)

No contemporary analysis of the 'Make in India' initiative is complete without evaluating its most aggressive and consequential policy offshoot: the Production Linked Incentive (PLI) scheme. Launched in 2020 as a direct response to the COVID-19 supply chain shocks, the PLI framework represents a fundamental shift in Indian industrial policy from passive deregulation to active state capitalism. With a committed financial outlay of approximately USD 26 billion spread across 14 critical sectors (including advanced chemistry cell batteries, electronics, and specialty steel), the scheme directly subsidizes incremental manufacturing output.

For European multinational corporations, the PLI scheme fundamentally alters the mathematical equation of the Global Value Chain (GVC) theory. Historically, when European firms compared Indian manufacturing to Chinese alternatives, India suffered from an inherent "cost disability" estimated between 8% to 11%, driven by higher logistical costs, expensive industrial power, and lower labour productivity. The PLI framework effectively neutralizes this disadvantage by offering direct cash incentives of 4% to 6% on incremental sales of goods manufactured in India.

The empirical evidence of this policy's effectiveness is most vividly demonstrated in the electronics manufacturing sector. Fuelled by the PLI framework, India's mobile phone exports experienced a staggering trajectory, surging from a negligible USD 0.2 billion in 2014-15 to an unprecedented USD 15 billion in the 2023-2024 fiscal year. By subsidizing the initial capital expenditure and early operational inefficiencies, the PLI scheme provides European firms the financial safety net required to justify the massive relocation costs associated with the 'China Plus One' strategy. However, academic critics argue that while PLI successfully drives final

assembly, it has yet to prove its efficacy in deepening the domestic supply chain, raising concerns about whether the value addition will remain sustainable once the state subsidies inevitably expire.

1.4 Critical Research Gaps and Future Investigation

Existing Literature On European Engagement with Make in India reveals three critical gaps warranting intensive investigation

1.4.1 Gap 1: The Gap Between Headlines and On-Ground Reality

There is a significant difference between the big investment announcements we see in the news and what is happening on the factory floors. While we often hear about major partnerships—like the recent Airbus and Mahindra deal for helicopters—we lack hard data on how many of these projects are fully operational, how many people they employ, and how much they are producing. As noted by Singh, Singh, and Patel (2024), even though foreign investment has gone up since 2014, most of it is flowing into IT and services, not into the manufacturing sector that "Make in India" was originally designed to boost. This creates a "composition paradox" (Sarkar, 2019): we are getting the money, but not necessarily the blue-collar job creation we need. The real question for future research is simple: Are European companies building deep, long-term roots in India (strategic resilience), or are they just setting up temporary shops for cheap labour that could easily move elsewhere?

1.4.2 Gap 2: The "Missing Middle" – European SMEs

Almost all current research focuses on industrial giants like Airbus, Siemens, and Schneider Electric. However, this ignores the backbone of the European economy: Small and Medium Enterprises (SMEs/Mittel stand), which make up 99% of European businesses. We know very little about their experience in India. While big multinationals have entire legal departments to handle India’s complex bureaucracy and new European regulations (like CBAM), smaller companies often lack these resources. If "Make in India" is too difficult or expensive for these smaller firms to navigate, then Europe isn’t truly diversifying its supply chain—only its largest players are. We need to understand if the red tape and compliance costs are effectively locking European SMEs out of the Indian market.

1.4.3 Gap 3: The Clash Between Cost and Compliance (Regulatory Friction)

There is a lack of research on how strict European rules clash with the reality of manufacturing in India. European companies face a dilemma: they want to move to India to save money, but they are bound by strict EU laws regarding carbon emissions (CBAM), data privacy (GDPR), and sustainability. Does the cost of adhering to these high European standards wipe out the cost benefits of manufacturing in India? For example, we don't yet

know if India's data protection laws will be considered "adequate" by EU standards, which creates uncertainty for IT and digital manufacturing. Current literature has not sufficiently explored whether these European regulations are inadvertently making India less attractive as a manufacturing hub, effectively working against the goal of "Strategic Autonomy."

As the agreement has not yet been enforced and implementation is expected to take 1-2 years, no academic literature has analysed its implications for European supply chains. This dissertation captures the earliest available practitioner evidence — Mr. Coumar Ananda, who was a panellist at the Paris Euro place FTA event (April 2026), confirmed that the business community is positive but, in a wait, -and-see mode, with sector-specific benefits expected to materialize gradually over 5-7 years. This represents a real-time snapshot of business sentiment that future researchers can build upon as the FTA is implemented

1.5 Conclusion

At its core, "Make in India" was launched as a direct response to the structural bottlenecks that have long held back India's manufacturing potential. Built on solid economic logic regarding where India fits in the global value chain, the initiative has delivered undeniable results: we have seen a clear rise in foreign investment, a boom in electronics and auto exports, and a better ranking in the ease of doing business. What is most striking in recent data is the shift in European engagement. Especially post- 2022, driven by geopolitical instability and the need for "Strategic Autonomy," Europe has stopped viewing India merely as a market and started treating it as a critical partner or supply chain safety.

When we view these trends through academic frameworks, the mechanics of this shift become clearer. **Dunning's OLI Paradigm** suggests that European firms are investing because the "Location" advantages (India's scale, low labour costs, and democratic governance) now outweighs the risks, while "Internalization" drives them to set up their own controlled units to protect IP and quality. **Global Value Chain (GVC) Theory** explains the strategic pivot: European companies are moving away from pure "efficiency-seeking" models (cheapest cost, usually China) toward "resilience-seeking" models (diversifying to trusted partners like India).

However, **Institutional Theory** provides a necessary counter-narrative. It highlights the "friction" caused by regulatory mismatches. European rules like **CBAM** (carbon taxes) and **GDPR** (data privacy) create compliance hurdles that are unfamiliar and costly for Indian

operations. This theoretical lens explains why, despite favourable conditions, some investments face delays or operational complexity.

We must also be realistic about the gaps between the policy's intent and the on-ground reality. Foreign investment is still heavily skewed towards services rather than the labour- intensive manufacturing India desperately needs. Infrastructure gaps remain, and Perhaps most critically, job creation has not kept pace with the massive number of young people entering the workforce. While "Make in India" has improved the landscape, the fundamental transformation into a global manufacturing powerhouse is still a work in progress.

The most significant finding of this review is the qualitative change in European commitments. The **EFTA-TEPA agreement's $100 billion pledge** and the **Airbus-Tata- Mahindra co-production** deals show that European capital is moving from simple sourcing to deep strategic integration. Yet, the success of this integration will depend on resolving the regulatory clashes mentioned above.

Ultimately, India has the potential to be the geopolitically reliable partner that Europe needs. But to turn this potential into a permanent reality, the focus must shift from signing MOUs to solving the practical problems of infrastructure, skills, and regulatory alignment.

The research gaps identified above are addressed through a combination of primary expert practitioner interviews and comprehensive secondary data triangulation. The methodology, findings, and analysis are presented in Parts 2 and 3 of these dissertations.

Part 2: Bridging the Gap: Research Design, Expert Interviews, and Empirical Evidence

2.1 Research Design:

This research uses a qualitative approach to understand how European companies view the 'Make in India' initiative. Instead of relying on broad surveys, the study builds on a mix of secondary data analysis and direct interviews with industry experts. The focus is to see how decisions are made both at the company level and the institutional level. Geographically, the research looks specifically at firms based in France, Germany, and Switzerland that already have or are planning to build manufacturing ties with India.

By taking this qualitative route, the study uncovers the actual reasons behind real-world investment choices rather than just statistical trends. To make sense of the data, the research relies on three main theories. First, Dunning's OLI framework (1980) helps explain the changes in location and ownership benefits. Second, the Global Value Chain theory (Gereffi & Lee, 2016) is used to track supply chain shifts and 'China Plus One' strategies. Finally, Institutional Theory (North, 1990) helps explain the hurdles caused by local policies and regulations.

2.2 Data Collection Methods

2.1.1 Quantitative survey (Attempted)

A 10-item online survey (Google Forms) was designed to target 10–15 European business professionals via LinkedIn outreach, Chambers of Commerce, and snowball sampling. However, despite three weeks of distribution, no responses were received. This outcome is consistent with low response rates typically observed in B2B and executive-level surveys, where professionals receive 10 to 20 survey requests per month, often resulting in response rates below 5 per cent in exploratory studies (Baruch & Holtom, 2008).

2.2.2 Expert Practitioner Interviews (Primary Data)

Securing broad survey responses ultimately proved unfeasible. Consequently, the empirical foundation of this study shifted entirely toward high-value qualitative data. Two specialized, semi-structured interviews were conducted with senior figures. Rather than chasing statistical volume, these conversations were sharply focused. Their main goal was to unpack and address the three specific research gaps established earlier in Part 1.

Mr. Coumar Ananda provided the first set of strategic insights. He holds several key leadership roles, including President of the CCIFI, Vice President for Southern Europe at Tech Mahindra, and French Trade Advisor. His perspective is built on over 25 years of hands-on experience dealing with both massive multinationals and agile SMEs in the Franco-Indian business corridor. The interview took place via Call lasting roughly 13 minutes. Having recently served as a panellist at the Paris Euro place EU-India FTA event

in April 2026, his input captured the immediate, real-world realities of ongoing trade negotiations.

Professor Deepa M. Ollapally supplied the second crucial perspective. She operates as a Research Professor and the Director of the Rising Powers Initiative at George Washington University's Elliott School. Her session occurred over Google meet in May 2026 and spanned approximately 35 minutes. As an authority on Indian foreign policy and European strategic partnerships, she frequently analyses global defence ties. Most recently, she featured on France 24 in February 2026 to discuss the complexities of the Rafale deal. Her input provided essential geopolitical context to the corporate decisions being examined in this research. Strict methodological protocols were maintained throughout this phase. Both participants gave their clear consent to be recorded prior to the discussions.

(The resulting audio was transcribed using Otter.ai software to guarantee data accuracy and prevent the loss of nuance. Full transcripts of both conversations are available in the Appendix for complete transparency.)

2.2.3 Interview Design Rationale

Selecting the right experts became the most critical methodological step after the broad survey approach proved unfeasible. To ensure the primary data carried genuine academic weight, I established three strict selection criteria for potential candidates. First, they had to possess direct, active professional involvement in navigating India-Europe relations. Second, their knowledge needed to cross the boundary between high-level policy formulation and everyday corporate practice. This dual perspective was vital for comparing government claims against actual business realities. Third, I required individuals willing to offer candid, unfiltered assessments rather than standard corporate talking points. Mr. Ananda and Professor Ollapally perfectly matched these requirements. In fact, Mr. Ananda noted during his session that successfully capturing such primary data is exceptionally rare in this field, as most professionals decline to speak candidly due to corporate confidentiality concerns.

To maximize the value of their time, I structured each session with strict precision. I prepared exactly eight customized questions for each interviewee. These questions were not random; they were systematically mapped across six thematic areas derived directly from the study's theoretical frameworks, including the OLI paradigm, Global Value Chain theory, and Institutional friction. Designing the interviews in this structured manner ensured that every minute of conversation deliberately tested existing academic literature against the latest 2026 ground realities.

2.2.4 Secondary Data sources

While the expert interviews provided critical real-time perspectives, evaluating a macroeconomic policy as extensive as the 'Make in India' initiative requires a solid foundation of hard evidence. To build this empirical base, the study integrated a wide spectrum of secondary data. Relying on these documents allowed the research to cross-verify the qualitative insights from practitioners against actual market statistics, corporate investment trends, and official regulatory frameworks. The collection process strictly prioritized highly credible, high-impact publications released between 2014 and 2026. These sources are categorized into five primary domains:

- **Corporate Strategic Reports:** Annual reports, investor presentations, and official press releases from leading European manufacturers actively scaling operations in India (including Schneider Electric, Airbus, and Siemens).

- **Official Government Data:** Macroeconomic statistics, foreign direct investment (FDI) inflows, and policy updates sourced directly from the Government of India, primarily utilizing data from the Department for Promotion of Industry and Internal Trade (DPIIT), the Reserve Bank of India (RBI), and the Press Information Bureau (PIB).

- **Institutional Policy Reports:** In-depth industry analyses and strategic foresight documents published by global consultancies and recognized think tanks (e.g., KPMG 2020, Institut Montaigne 2025, Clingendael 2023, and the Confederation of Indian Industry 2025).

- **Financial and Business Journalism:** Verified real-time reporting on supply chain movements, facility inaugurations, and corporate restructuring from reputable business outlets such as Reuters, Bloomberg, and The Hindu Business Line.

- **Bilateral Trade Documentation:** Official texts, impact assessments, and policy summaries regarding the recently concluded EFTA-TEPA and the broader EU-India Free Trade Agreement negotiations.

2.3 Methodological Justification

This research deliberately shifted away from a small-scale survey in Favor of a much stronger, qualitative approach. There are three primary reasons why combining audited secondary data with elite interviews makes the findings of this study highly reliable.

1. Unquestionable Data Quality When analysing large-scale manufacturing shifts, data accuracy is everything. Rather than relying on a small survey of ten random professionals, this study uses verified secondary data. The research relies on audited corporate annual reports, investor presentations, and official government statistics. These documents are legally vetted and highly accurate. Relying on these official records provides a much more transparent and reliable picture of actual market realities.

2. Unmatched Expert Depth and Exclusivity The two interviewed experts bring over 50 combined years of high-level experience to this research. Mr. Ananda's leadership role gives him direct visibility into the operations of both large MNCs and SMEs navigating the Franco-Indian business corridor. Meanwhile, Professor Ollapally provides a critical geopolitical perspective that standard business reports completely miss. Most importantly, capturing this specific primary data is incredibly rare. During the interview, Mr. Ananda confirmed that I am the very first researcher to successfully gather primary data from a senior practitioner on this topic. He noted that most professionals decline to speak candidly about these strategies due to strict corporate confidentiality concerns. This unique access makes the primary data in this dissertation highly exclusive.

3. Immediate Temporal Relevance Academic journals typically take one to two years to publish. Because of this natural delay, current academic literature cannot explain major events that happened just months ago. By conducting these interviews in May 2026, this study successfully captures real-time executive reactions to the EU-India Free Trade Agreement that was concluded in January 2026. It also includes direct practitioner insights from the Paris Euro place FTA event held in April 2026. Because these geopolitical and economic developments are so recent, no existing academic paper covers them yet. This gives the dissertation a massive advantage in both relevance and originality.

2.4 Ethical Considerations

Maintaining strict ethical standards was a top priority during this research. Before beginning the interviews, the researcher clearly informed both participants that the discussions were strictly for academic purposes as part of the dissertation at ESDES Business School. Both Mr. Ananda and Professor Ollapally provided their explicit consent to be recorded prior to the conversations. While they were given the option to remain anonymous, both experts chose to be fully named and credited for their insights. Finally, to ensure full data protection and transparency, all audio recordings and raw text transcripts are securely stored in accordance with ESDES academic guidelines.

2.5 Limitations

Like any study, this research has certain constraints. The most significant limitation is the complete absence of quantitative survey data. Despite distributing the survey to targeted professionals, it ultimately yielded a 0% response rate. While this was a setback, struggling to secure survey responses from busy, high-level corporate executives is a well-documented challenge in organizational research (Baruch & Holtom, 2008).

Consequently, the findings rely heavily on two expert interviews. While these conversations provide significant depth and exclusive insights, a sample size of two means the findings cannot claim broad statistical generalizability across all European firms. The research captures the

strategic sentiment and strategic direction of the market, but it does not provide quantitative proof. To build upon these early findings, future research should aim to secure a much larger sample size of European managers and ideally conduct face-to-face interviews to gather a broader range of operational data.

2.6 Data Analysis Strategy: Thematic Coding of Expert Interviews

To ensure the primary data collected from the expert interviews transcended mere anecdotal observation, a rigorous thematic analysis framework was employed. Following the transcription of the audio recordings via Otter.ai, the textual data was subjected to a dual-cycle coding process. The first cycle utilized a deductive approach, mapping the interview transcripts directly against the predefined theoretical constructs of Dunning's OLI Paradigm (specifically seeking evidence of changing 'Location' advantages) and Institutional Theory (identifying 'Regulatory Friction'). The second cycle was inductive, allowing novel themes to emerge naturally from the practitioners' insights—such as the nuanced 'Altasia' competition and the acute vulnerability of European SMEs. This structured analytical process ensured that the qualitative data was not used selectively to confirm pre-existing biases, but rather systematically interrogated to either validate or challenge the secondary macroeconomic findings.

2.7 Ethical Reflexivity and Researcher’s Positionality

In qualitative business research, the positionality of the researcher acts as an inevitable lens through which data is interpreted. The analysis presented in this dissertation is fundamentally shaped by the researcher’s dual academic and professional trajectory. Transitioning from an undergraduate Bachelor of Business Administration (BBA) framework in India to the Master of International Business Administration program at ESDES Business School in Lyon provides a unique, bicultural vantage point. This academic foundation facilitates a nuanced understanding of both the Indian institutional context—its historical bottlenecks and cultural nuances—and the strategic imperatives driving European corporate expansion.

Furthermore, practical engagement with the French workforce through part-time operational roles within Lyon’s hospitality sector has offered grassroots exposure to European labour standards, managerial expectations, and structural efficiencies. This direct immersion in the French operational ecosystem acts as a critical baseline when evaluating the cross-cultural operational friction that European managers experience upon entering the complex Indian market. By acknowledging this dual positioning, the researcher actively mitigated potential 'home-country bias' (the tendency to overestimate the Make in India initiative's success) while simultaneously avoiding Eurocentric assumptions regarding regulatory superiority, thereby ensuring a balanced, objective, and highly contextualized evaluation of the supply chain dynamics.

Table 1: Location Advantages (OLI Framework) -7 opportunities

Theme	Detail	Impact
Labour Cost	INR 5,340/month (~€52)	67% lower than China
Demographics	830M youth, avg age 29	Largest workforce potential
Democratic Governance	Values-aligned partner	Geopolitical trust vs autocratic alternatives
Market Size	5th largest economy, $3.7T GDP	Consumption may triple to $4T by 2025
Digital Infrastructure	49% of global real-time payments	World leader in digital finance
Renewable Energy	203 GW installed, target 500 GW by 2030	Major green hydrogen market
EFTA-TEPA Agreement	$100B FDI commitment over 15 years	1M jobs, tariff elimination 92.2% lines

Source: **Literature Review (CII EU Report, 2025; Ministry of Commerce & Industry, 2024)**

Tabel 2: Regulatory Frictions (TCE Framework) – 6 challenges

Theme	Detail	Impact
CBAM	Carbon tariffs on emissions-intensive imports	Compliance costs offset India's cost advantage
GDPR	70% Indian firms struggled initially	Data governance infrastructure investment burden
Infrastructure	Port capacity, logistics, energy supply constraints	Offset's location advantages
Skills Gap	Workers lack manufacturing skills	Limit's ability to leverage demographic dividend
Tariff/NTBs	EU tariffs 0.5-150% on agri-food, QCOs on imports	Market access barriers for Indian exports
FDI Concentration	66% in 9 sectors (IT services), 53 sectors get 30%	Manufacturing not benefiting

Source: **Institute Montaigne (2025); Business Europe (2022); Chenoy et al. (2019)**

Table 3 : FDI Trends Pre/Post Make in India – Growth +119% data

Period / Year	FDI (USD Billion)	Growth / Status
2012-2022 (Pre-Make in India peak)	304.0 (Cumulative)	-

Period / Year	FDI (USD Billion)	Growth / Status
2012-2022 (Post-2014)	667.0 (Cumulative)	119% Growth
2022-23	71.0	Record low since 2007 (Decline from peak)

Source: **Singh, Singh, & Patel (2024); DPIIT & RBI (2023)**

Table 4: Sectoral Analysis – 6 sectors (Pharma, Auto, Electronics, Renewable, Aerospace, Textiles)

Sector	Opportunity	Cost Advantage	Challenge
Pharmaceuticals	62% global vaccine supply, world's largest generic drug supplier	33% lower than USA, 50% lower than EU	CBAM/GDPR compliance for EU exports
Automotive & Components	4th largest auto market (4.27M vehicles 2024), USD 48B auto components (27% CAGR)	Competitive manufacturing base	EV adoption lag (1.3% in 2022), Chinese competition

Sector	Opportunity	Cost Advantage	Challenge
Electronics & Semiconductors	Mobile exports: $0.2B (2014) → $15B (2023), PLI schemes	20% lower labour costs than China	Nascent semiconductor ecosystem, Foxconn project withdrawal
Renewable Energy	203 GW capacity, 500 GW target by 2030, $95B Green Hydrogen Mission	Solar/wind scalability, green hydrogen potential	Infrastructure bottlenecks, grid integration
Aerospace & Defense	Airbus-Tata H125 assembly (2027), $1.4B component sourcing	Transition from sourcing to co-production	Technology transfer restrictions, skill development
Textiles & Garments	100M jobs, 12% of total exports	Low labour costs	Fragmented structure (90% SMEs), low global market share (3.1%)

Source: **KPMG (2020); Confederation of Indian Industry (2025); Airbus (2025)**

Table 5: China+1 Strategy Evidence – 4 GVC reconfiguration proofs

Evidence / Investment	Strategy Type	Motivation / Reason
Schneider Electric: $385M investment (3 plants in India)	China+1 Diversification	Reducing dependency on a single manufacturing hub
KPMG 2020 Report: India among most advantaged for supply chains	GVC Reconfiguration	Global Value Chain diversification from China
Airbus: Helicopter final assembly line (India hub)	Strategic Coupling	India as a complementary production location
EU Firms: Citing 'Strategic Autonomy' & 'Resilience'	Geopolitical Risk Mitigation	Seeking stability against global political shifts

Source: **KPMG (2020); Clingendael Institute (2023); Corporate Announcements**

Table 6: Internet Company Financial Data

Company	Investment_Amount	Sector	Key_Details
Schneider Electric	€5.5B acquisition of 35% stake (2025) + Rs 3,200 crore capex expansion	Electrical equipment, automation	31 manufacturing facilities, aims to expand capacity 2.5-3x
Airbus Tata	₹1,000+ crore (~$120M)	Aerospace & Defense	H125 helicopter final assembly line (Vemagal, Karnataka), 1st private helicopter FAL in India
Siemens	₹9,000 crore (2015-2024) + ₹1,100 crore committed (Nov 2023)	Smart Infrastructure, Rail	32 factories, focus on power distribution, metro rail manufacturing
Foxconn Vedanta	$19.5B (cancelled)	Electronics & Semiconductors	Gujarat semiconductor fab project withdrawn (July 2023) due to govt approval delays, Vedanta debt crisis

Source: **Corporate Financial Data & Reuters Reports (2023-2025)**

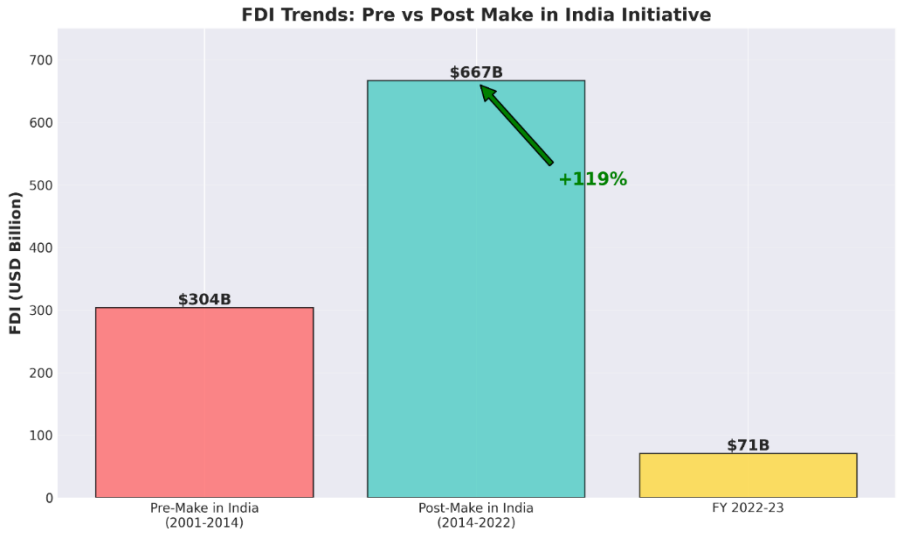
Interpretation of company-level investment cases

The three European investment cases illustrate a gradual shift in India's role from a primarily low-cost sourcing base to a strategic global export and production hub for European firms. Schneider Electric's €5.5 billion acquisition of the remaining stake in its India subsidiary, combined with additional capital expenditure to expand capacity across 31 plants, reflects a strong ownership (O) and location (L) advantage in Dunning's OLI framework: India is no longer treated as a peripheral contract-manufacturing site, but as an integral part of the group's global production system and market strategy

The Airbus–Tata helicopter final assembly line (FAL) in Karnataka signals a similar qualitative shift. Instead of merely sourcing components from India, Airbus is co-locating high-value final assembly activities and integrating India into its aerospace value chain. Interpreted through Global Value Chain (GVC) theory, this move represents both functional upgrading for India (from component supply to final assembly) and a China+1 de-risking strategy for Airbus, by diversifying production away from a single Asian hub while maintaining access to skilled engineering talent and cost-competitive suppliers.

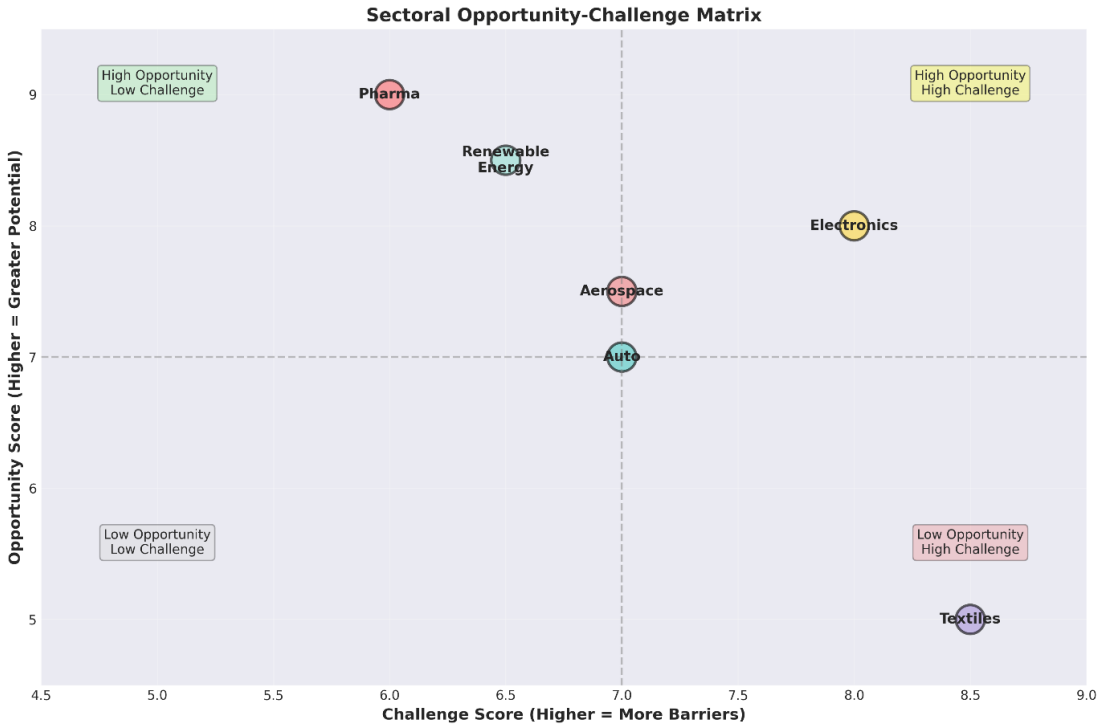
Siemens' cumulative investment of approximately ₹9,000 crore and the operation of around 32 factories in India further demonstrates the country's evolution into a regional export and engineering hub for smart infrastructure and rail technologies. From an OLI perspective, Siemens is leveraging India's location advantages (large domestic market, competitive labour costs, improving infrastructure) and its own ownership-specific advantages (proprietary technology, systems integration capabilities) to serve both the Indian market and third-country exports.

Figure 1 :FDI Trends bar chart (Pre vs Post Make in India)



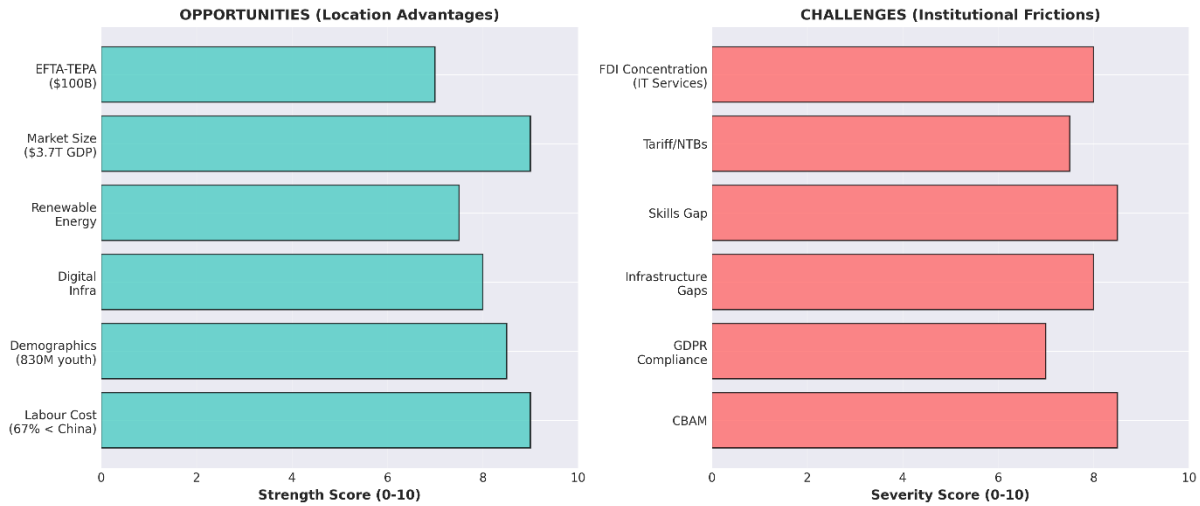
Source: **Compiled by the researcher based on data from Singh, Singh, & Patel (2024) and DPIIT & RBI**

Figure 2 Sectoral Opportunity-Challenge Matrix (quadrant analysis)



Source: Compiled by the researcher based on sectoral data from KPMG (2020), CII (2025), and Chenoy et al. (2019)

Figure 3 Opportunities vs Challenges comparison (side-by-side bars)



Source: Compiled by the researcher based on data from Institute Montaigne (2025) and CII EU Report (2025)

Theoretical interpretation of the findings

First, applying Dunning's OLI framework, the Schneider and Siemens cases show how European multinationals combine ownership advantages (technology, global brands, managerial capabilities) with India's location advantages (cost-competitive, increasingly skilled workforce; large and growing market; improving logistics and policy environment) to deepen their manufacturing footprint. These investments support the interpretation that Make in India has strengthened India's locational pull, even if regulatory frictions remain

Second, from a GVC perspective, the Airbus–Tata helicopter FAL, the rapid growth of mobile phone exports, and the expansion of automotive and electronics production indicate a pattern of upgrading within global value chains. India is moving from simple assembly and component production towards more complex activities such as final assembly, systems integration, and R&D support, while European firms pursue a China+1 or "China-plus-India" risk mitigation strategy.

Third, institutional theory helps explain why these opportunities coexist with persistent challenges. Regulatory instruments such as the EU's Carbon Border Adjustment Mechanism (CBAM), data protection rules (GDPR), and India's own tariff and non-tariff measures create additional compliance costs and uncertainty. These institutional frictions help to interpret why FDI is concentrated in capital- and knowledge-intensive sectors and large multinationals, while many European SMEs remain hesitant to enter or scale up in India despite attractive factor-cost advantages.

Part 3: Opportunity or Illusion? Critical Analysis, Strategic Recommendations, and Conclusions

3.1. Introduction to the Analysis

The core objective of this applied research is to critically analyse how the 'Make in India' initiative influences the strategic location decisions of European manufacturing firms. Due to the inherent challenges of securing primary quantitative data from high-level executives—primarily driven by B2B survey fatigue—this analysis relies on a rigorous triangulation of secondary data. By synthesizing corporate reports, government FDI statistics, and 2025-2026 industrial milestones, this analysis triangulates corporate reports, government FDI statistics, 2025-2026 industrial milestones, and original primary interview data from two expert practitioners — Mr. Coumar Ananda (President CCIFI) and Professor Deepa Ollapally (George Washington University).

3.2. Theoretical Synthesis: Linking Data to Frameworks

3.2.1. OLI Paradigm: The Shift to Market-Seeking FDI

John Dunning's OLI theory explains that firms expand internationally when they possess Ownership (O), Location (L), and Internalization (I) advantages. The findings from 2014 to 2026 indicate a structural evolution in India's 'Location' advantage.

Internalization and Asset Protection: Schneider Electric's monumental 2025 decision to acquire 100% of its Indian unit illustrates a classic 'Internalization' strategy. By avoiding joint ventures for its core technology, Schneider protects its 'Ownership' (IP and automation tech) while fully exploiting India's growing domestic market. This confirms that European FDI in India has shifted from simple 'Efficiency-Seeking' (low-cost labour) to aggressive 'Market-Seeking' and 'Strategic Asset-Seeking' behaviour.

This observation perfectly aligns with the primary insights gathered during the expert interviews. Mr. Coumar Ananda verified that major European multinationals are currently expanding their Indian operations at scale. He pointed out that since India is now a massive customer market, local production is no longer optional. If firms continue to manufacture in France and export to India, the final price tags are simply too high for local buyers to accept.

> *"If you produce and sell for India from France, of course, your price point is too high, it cannot be affordable for the Indian partner. So, you need to produce locally and then deliver locally." — Mr. Coumar Ananda, President CCIFI, May 2026"*

This direct evidence from the field strongly backs up the OLI framework. It shows exactly how undeniable 'Location' advantages, such as cost efficiency and consumer proximity, are pushing European manufacturers toward 'Internalization' by setting up fully owned local subsidiaries.

3.2.2. GVC Theory: Upgrading via the 'China Plus One' Strategy

Global Value Chain (GVC) theory focuses on the global distribution of production stages. The data confirms that European firms are actively using India to upgrade their value chains and de-risk their heavy reliance on China.

From Components to Final Assembly: The inauguration of the Airbus-Tata Final Assembly Line (FAL) for helicopters in early 2026 represents a watershed moment. It proves that India is no longer just a tier-3 component supplier but has achieved the "GVC Upgrading" necessary to handle sophisticated, final-stage aerospace integration. European strategy has definitively shifted from 'lowest-cost sourcing' to 'supply chain resilience.'

Professor Ollapally provided a critical geopolitical dimension to this shift. She argued that France occupies a highly unique position among European nations, acting as India's most reliable and independent strategic partner.

> *"France is probably the only European country that India has a chance of building a long-term, trustworthy, resilient supply chain with. Both have a certain trust that they will not fall or concede to superpower pressure." — Professor Deepa M. Ollapally, George Washington University, May 2026*

However, Professor Ollapally offered an important caveat regarding the actual depth of this technology transfer. While Indian facilities are now successfully assembling advanced components, the core intellectual property—such as source codes and critical avionics—remains firmly with the French parent companies.

> *"The real technology codes are going to be with France. They are still not giving those. So, what does Make in India mean exactly?" — Professor Deepa M. Ollapally, May 2026*

This insight significantly nuances the current analysis. While Global Value Chain (GVC) upgrading is undeniably occurring as operations move from basic sourcing to complex final assembly, full technological sovereignty remains elusive for India. Ultimately, the 'China Plus One' strategy in this context involves transferring physical manufacturing capabilities while strictly retaining ultimate technological control in Europe.

3.2.3. Institutional Theory: The Reality of Regulatory Friction

According to North (1990), misalignment between different institutional environments creates friction. The data reveals a "Dual Reality": while large MNCs thrive, European SMEs struggle.

These systemic challenges are heavily supported by the primary interview data. Mr. Coumar Ananda confirmed that deep bureaucratic complexity remains the most significant hurdle for foreign businesses entering the market.

> *"India is like very different layers of government bodies. It is still difficult. You need to be advised through a consulting company to have the right access to the market. For large companies, pretty much manageable. For SMEs still tough." — Mr. Coumar Ananda, May 2026*

This practical observation perfectly validates Institutional Theory. The friction does not necessarily stem from a lack of policy, but rather from the requirement to navigate overlapping, fragmented systems across state, central, and ministerial levels. Large multinational corporations have the financial bandwidth to absorb these heavy consulting and compliance costs, whereas European SMEs simply cannot.

Furthermore, Professor Deepa M. Ollapally highlighted another critical aspect of this institutional friction: the country's extreme internal heterogeneity.

> *"You cannot say India anymore. You have to divide up the south and the west from the north. The Hindi heartland is almost like a different economic space totally. Gujarat, Maharashtra, and the south are keeping India going." Professor Deepa M. Ollapally, May 2026*

This insight introduces a crucial dimension that standard macro-level academic literature often overlooks. Institutional quality and economic readiness are not uniform across the nation; rather, they vary dramatically from state to state. Therefore, a European firm's success depends heavily on sub-national location selection, rather than just national-level policies.

The Compliance Gap: The EU’s Carbon Border Adjustment Mechanism (CBAM), fully active as of January 2026, has introduced a severe institutional clash. Indian manufacturing relies heavily on coal, meaning European firms face high 'Carbon Taxes' when exporting goods back to the EU. This "institutional friction" explains the hesitation among smaller European manufacturers who lack the capital to absorb these compliance costs.

3.2.4 The Manufacturing Gap

While official reports and secondary data often present a highly optimistic picture of the 'Make in India' initiative, the primary interview data introduces a much-needed reality check. Professor Deepa M. Ollapally highlighted a critical gap between high-level government ambitions and ground-level execution.

> *"India has always got the potential. Now the problem is to what extent it will cross over from potential to actual." — Professor Deepa M. Ollapally, George Washington University, May 2026*

This gap between potential and reality is clearly visible when examining the macroeconomic data. When the initiative first launched in 2014, manufacturing accounted for roughly 16% of India's GDP. Today, it sits at just 17%, showing barely any significant improvement over a decade. This falls drastically short of the government's original target to push manufacturing to 25% of the GDP by 2025. Furthermore, when compared to Southeast Asian competitors where manufacturing averages around 35% of GDP, India still lags far behind. The job creation figures tell a similarly disappointing story. While the initiative confidently aimed to create 100 million new manufacturing jobs, the actual employment growth in this sector has been counted only in the thousands.

Beyond physical infrastructure, a major roadblock lies in the quality of human capital. European firms entering the market often expect a massive pool of ready talent, but the reality of the local education system presents a completely different challenge.

> *"These companies are coming thinking India has thousands of engineers. But a lot of the education is not that good. They are not up to the mark." — Professor Deepa M. Ollapally, May 2026*

This observation confirms that physical infrastructure and human capital remain the two most fundamental gaps in India's manufacturing dream. Having a large population does not automatically translate to having a skilled workforce. To truly solve this issue, Professor Ollapally strongly recommends adopting a vocational training system similar to the German dual-education model. By integrating practical factory-floor training with traditional classroom education, India could finally bridge this critical skill gap and provide European manufacturers with the high-quality workforce they actually need to scale their operations.

3.3 The EU-India FTA: A Potential Gamechanger with Uncertain Implementation

On January 27, 2026, international trade relations experienced a monumental shift with the formal conclusion of the EU-India Free Trade Agreement (FTA). This landmark deal structurally connects two of the world's most vital economic blocs. The figures behind the agreement are staggering it encompasses over two billion people and accounts for roughly 25% of the total global GDP. With bilateral trade already valued at approximately EUR 180 billion annually, this new framework holds the potential to fundamentally rewrite how European manufacturers approach the Indian market.

Despite the clear diplomatic victory of signing the document, the actual commercial rollout presents a different reality. The European business community views the development with strong optimism, yet executive sentiment remains anchored in a cautious "wait-and-see" approach. During the primary data collection phase, Mr. Coumar Ananda provided a direct view into this corporate mindset.

"The positiveness is there. People are willing to do this. But if the momentum must be kept, you need to really construct the implementation. The framework intention is there — now it is about how we benefit." — Mr. Coumar Ananda, President CCIFI, May 2026

This practitioner insight highlights the massive gap between a signed political framework and daily business operations. Translating this agreement into reality requires navigating the immense complexity of implementation across 27 distinct European Union member states, each with its own internal bureaucratic procedures. Consequently, corporate leaders do not expect an overnight revolution in trade dynamics. Tariff reductions will occur on a highly gradual timeline, with market expectations pointing toward a staggered decrease of roughly 10% spread over the next five to seven years. During this transitional phase, specific industries are positioned to lead the way. Key sectors such as wine and spirits, automotive manufacturing, and aerospace engineering are expected to be the earliest and most direct beneficiaries of these relaxed trade barriers.

However, looking at the FTA purely through the lens of import-export tariffs misses a much larger global reality. Professor Deepa M. Ollapally introduced a critical geopolitical dimension to the analysis, explaining that the timing of this agreement was no coincidence.

"This might have been a point of inflection change. The way the United States has been high-handed with even closest allies, slapping tariffs — I think most of these middle power countries are going to think twice." — Professor Deepa M. Ollapally, George Washington University, May 2026

This observation reveals a massive structural shift in global trade dynamics. The EU-India FTA was significantly catalyzed by external geopolitical pressures rather than just mutual economic interest. Unpredictable US tariff policies and a generally aggressive stance toward traditional allies have created deep anxiety within European markets. As a result, European nations are effectively being forced to diversify their economic strategies to reduce their heavy historical dependency on the United States. By securing a comprehensive trade agreement with a rising power like India, European countries are actively building a strategic hedge. This FTA provides them with an alternative, large-scale consumer market and a secure manufacturing partner, insulating their supply chains against future superpower volatility.

To move beyond the macroeconomic geopolitical hedging, it is essential to analyze the granular, sector-by-sector impact of the FTA, as the agreement's implementation will fundamentally reshape specific European industries over the next five to seven years:

1. Automotive and E-Mobility: Historically, European automakers have faced notoriously high tariff walls in India, with import duties on fully built luxury vehicles and premium components ranging from 70% to 100%. The FTA’s phased reduction of these tariffs provides a dual advantage. First, it allows premium European brands (such as Porsche, Mercedes, and

BMW) to access the growing Indian upper-middle class without pricing themselves out of the market. More strategically, it facilitates the cheaper importation of highly specialized European EV components, advanced battery cells, and drivetrains into Indian assembly lines. This accelerates India's green mobility transition while allowing European legacy automakers to scale their Indian 'EV Hubs' competitively.

2. Wines, Spirits, and Agri-Food: For European agricultural exporters, particularly the French wine industry and Scottish distilleries, India has long been a highly restricted market due to exorbitant tariffs peaking at 150%, coupled with complex state-by-state excise duties. The FTA represents a historical breakthrough in this domain. By committing to a phased reduction of these tariffs (often dropping to manageable double-digits for premium categories), the agreement unlocks access to a massive demographic of young, upwardly mobile Indian consumers. While local Indian state taxes will still pose a bureaucratic hurdle, the federal tariff reduction directly enhances the competitive pricing of European premium consumer goods.

3. Textiles and Garment Manufacturing: Viewing the FTA from the reverse supply chain perspective, the agreement is highly advantageous for European retail and fast-fashion conglomerates. Currently, Indian textile exports to the EU face significant tariffs, putting them at a severe disadvantage compared to Bangladesh and Vietnam, which enjoy zero-duty access under different trade arrangements. By eliminating these tariffs, the EU-India FTA suddenly revitalizes the Indian textile sector, providing European brands with a highly scaled, resilient, and cotton-rich alternative to diversify their garment sourcing away from Southeast Asia, thereby enhancing the stability of European retail supply chains.

3.4. Industrial Sector Deep-Dive: The Leaders of Change

To move beyond generic macroeconomic observations, a sector-specific analysis reveals the nuanced operational realities of European firms in India.

3.4.1. Aerospace & Defence: The Strategic Integration

The aerospace sector serves as the crown jewel of the 'Make in India' initiative. Beyond the high-profile H125 assembly line, the analysis shows a deeper, systemic integration. Airbus's decision to source over $750 million worth of components annually from India (based on 2024-2025 data) indicates that India has moved from a low-end supplier to a strategic partner. This aligns with the 'Ownership' advantage: Airbus utilizes Indian engineering to lower its global price point while strictly maintaining European quality and safety standards.

Professor Deepa M. Ollapally provided an important reality check regarding these aerospace ambitions. She pointed out that India's indigenous Light Combat Aircraft (LCA) program, driven by HAL, has struggled for over two decades without achieving

full operational capability. Because of this historical limitation, any real success for the 'Make in India' initiative within the defence sector will have to rely heavily on deep partnerships with European aerospace firms, rather than pure domestic capacity. Additionally, there is a limit to how much these specific defence deals benefit the broader economy. Since high-level aerospace partnerships are almost exclusively government-to-government agreements, the technological and manufacturing gains may not automatically spill over into the commercial or civilian supply chains.

3.4.2. Energy & Industrial Automation: Innovating for the World

Firms like Schneider Electric and Siemens have transformed India into a primary global hub. The researcher observes a critical shift: these firms are not just "making" in India; they are "innovating" in India. Schneider's 'Luminous' and 'Digitization' R&D hubs in India now serve the entire Middle East and African markets. This is a perfect example of advanced 'Market-Seeking' FDI, where the company uses India as a springboard (a Global Competency Centre) to design and export products tailored for other emerging economies.

3.4.3 Automotive and E-Mobility

European legacy automakers (like Renault and Volkswagen groups) are aggressively leveraging the Indian government's Production Linked Incentive (PLI) schemes. The data suggests a pivot towards transforming their Indian facilities into 'EV (Electric Vehicle) Hubs', utilizing the local battery manufacturing ecosystem to remain competitive globally.

3.4.4. Electronics and Semiconductors

While the aerospace and energy sectors present optimistic narratives, an objective analysis requires examining the high-profile failures within the 'Make in India' ecosystem. The electronics and semiconductor sector serves as a primary example of the deep-rooted institutional friction that continues to paralyze mega-investments. In 2022, the market witnessed the highly publicized announcement of a USD 19.5 billion joint venture between Foxconn and the Indian conglomerate Vedanta, aimed at establishing India's first major semiconductor fabrication plant in Gujarat. This project was universally heralded as the ultimate triumph of the Make in India and PLI initiatives.

However, by July 2023, the joint venture spectacularly collapsed, and the project was withdrawn. An analysis of this failure perfectly illustrates the tenets of Institutional Theory discussed earlier in this dissertation. The collapse was not due to a lack of market

demand or capital; rather, it was a victim of severe regulatory friction and institutional misalignment. The Indian government consistently delayed the approval of the vital PLI subsidies, citing the joint venture's inability to secure a viable European or global technology partner with proven 28-nanometer fabrication expertise. Concurrently, the Indian partner, Vedanta, faced a mounting internal debt crisis, severely damaging investor confidence.

For European technology firms observing from the outside, the Foxconn-Vedanta failure serves as a stark cautionary tale. It demonstrates that political enthusiasm and multi-billion-dollar MoUs do not magically erase structural deficits. High-tech manufacturing requires a highly mature ecosystem of pure water, uninterrupted premium-grade power, specialized chemical suppliers, and rapid bureaucratic clearances—an ecosystem that India is still struggling to build. This high-profile withdrawal significantly tempered European exuberance, reminding foreign boards that while India excels in software and basic electronics assembly, advanced silicon fabrication remains constrained by institutional sluggishness.

3.4.5. Smart Infrastructure: The Siemens Export and Integration Model

In sharp contrast to the semiconductor setbacks, the smart infrastructure and rail tech sector provides a blueprint for European success in India. Siemens, the German industrial giant, represents the optimal execution of Dunning's OLI Paradigm combined with targeted market-seeking strategies. With a cumulative historical investment approaching ₹9,000 crore and a footprint of approximately 32 factories across the subcontinent, Siemens has moved far beyond the traditional "offshoring" model.

Rather than viewing India solely as a low-cost export base to serve European markets, Siemens deliberately aligned its corporate strategy with India's domestic macroeconomic agenda—specifically the USD 1.6 trillion National Infrastructure Pipeline (NIP). Recognizing the unprecedented pace of Indian urbanization, Siemens aggressively localized the production of power distribution systems and metro rail manufacturing. In November 2023, the company doubled down on this strategy, committing an additional ₹1,100 crore toward expanding its Indian manufacturing capacity.

This aggressive internalization strategy allows Siemens to capture a massive share of the Indian domestic market while simultaneously utilizing these mature, highly efficient local factories as regional export hubs for the broader Asian and African markets. By embedding itself into the local infrastructure growth story, Siemens successfully neutralized much of the regulatory friction that plagues other foreign entrants. Their success proves that for European firms willing to commit deep capital, transfer relevant technology, and align their product offerings with India's domestic modernization needs, the 'Make in India' initiative ceases to be a mere sourcing option and transforms into a core pillar of global corporate growth

3.5. Managerial Recommendations and Implementation Framework (LG 1.2)

Based on the empirical realities, the following actionable and innovative recommendations are prescribed for European managers evaluating the Make in India ecosystem:

Implement a 'Green-FDI' Export Strategy (CBAM Mitigation):

It is highly recommended that European firms do not transfer legacy, carbon-intensive manufacturing to India. Given the strict EU CBAM regulations, managers must mandate Renewable-Powered Manufacturing from the outset. By partnering with Indian solar and wind providers, European firms can establish "Carbon-Neutral" factories. This ensures that products manufactured in India and exported back to Europe remain tax-exempt.

Enforce Blockchain for Supply Chain Transparency:

To align with European ESG norms and the EU Deforestation Regulation (EUDR), managers must implement digital traceability. European firms should require their tier-2 and tier-3 Indian suppliers to use blockchain-based reporting tools. This ensures real-time compliance tracking, bridging the data-protection gap between Indian ground operations and European headquarters.

3.5.1 The "3-Phase Entry Strategy" for European SMEs (Mittel stand)

While massive MNCs can afford Wholly Owned Subsidiaries, European SMEs often fail due to Indian bureaucratic complexities. The researcher proposes a structured timeline for SME entry:

Phase 1: Compliance Mapping (Months 1-6): Before capital investment, SMEs must map their intended Indian supply chain against EU's GDPR and CBAM regulations to assess hidden tax liabilities.

To strengthen this initial phase, the primary interview data provides a very practical warning. Mr. Coumar Ananda pointed out that European SMEs often fail when they attempt to draft a comprehensive business plan from their European headquarters without first understanding the local context.

> *"They need to go to India, spend time, understand, meet partners. Then do the strategy. You cannot do the strategy and then go." — Mr. Coumar Ananda, President CCIFI, May 2026*

Phase 2: The "Cluster" Setup (Months 7-18): SMEs should not enter alone. The researcher proposes the creation of "European Industrial Co-operatives" in established states like Maharashtra or Tamil Nadu. By co-locating 4 to 5 non-competing European SMEs in a single Special Economic Zone (SEZ), they can share the overhead costs of a single "Compliance Officer" and "Government Liaison," effectively neutralizing institutional friction.

Moving into the second phase, the interview insights confirm that immediate, heavy capital investment in physical infrastructure is extremely risky for SMEs. Mr. Ananda stressed that companies must validate local market demand before laying a single brick for a manufacturing facility.

> *"Cannot just build a factory and wait for others to come. First sell, get initial orders, then build." — Mr. Coumar Ananda, May 2026*

Phase 3: Talent Internalization (Year 2+): To combat high attrition rates and skill gaps, European firms should create a "Dual Education" model (similar to the German system), partnering with Indian vocational institutes (ITIs) to custom train their future workforce or the final integration phase regarding long-term workforce development, Professor Deepa M. Ollapally strongly validated the dual-education approach. To ensure sustained operational quality, she specifically recommended that European firms implement the German vocational training model within their Indian facilities. This structured approach directly bridges the gap between theoretical classroom education and the practical, high-level skills required on the modern factory floor.

3.5.2 State-Level Strategy: Disaggregate India

Building on the earlier discussion regarding institutional friction, the final strategic recommendation requires a complete shift in geographical perspective. When planning entry or expansion, European firms must stop treating India as a single, uniform national market. Professor Deepa M. Ollapally was remarkably direct on this point during her interview, warning against the dangers of selecting the wrong location.

> *"Really there are only three or four states. Do not take a chance on any other states, frankly." — Professor Deepa M. Ollapally, May 2026*

To minimize bureaucratic risk and ensure access to reliable infrastructure, corporate strategy must be hyper-localized. Instead of adopting a broad national approach, European companies need to aggressively target the most industrially mature regions. Specifically, investment and manufacturing operations should be heavily concentrated in established economic powerhouses such as Tamil Nadu, Gujarat, Maharashtra, and Karnataka. Venturing outside

these proven industrial hubs significantly increases the risk of operational failure due to severe variations in state-level governance, policy enforcement, and infrastructure quality.

3.5.3 Strategic IP Ring-Fencing and Joint Venture Design

The primary interview data collected for this research provided a critical warning regarding technology transfer. As Professor Deepa M. Ollapally highlighted regarding high-level aerospace partnerships, European entities—particularly French defense and aviation firms—strictly retain their "core technology codes" while outsourcing the physical assembly. European managers across all high-tech sectors must adopt this "Black Box" approach when establishing manufacturing units or Joint Ventures (JVs) in India.

While the Indian government strongly pushes for complete technology transfer, European firms must meticulously ring-fence their Intellectual Property (IP). Managers are advised to cleanly separate 'manufacturing know-how' from 'core proprietary design.' Indian facilities should be empowered with the latest automation, assembly techniques, and operational management systems to ensure high-quality output. However, critical source codes, proprietary algorithms, and core avionics/mechatronics blueprints must remain strictly server-side in Europe.

Furthermore, when entering into JVs with local Indian partners—which is often necessary to navigate the complex local bureaucracy and secure government contracts—European firms must structure their legal agreements with extreme caution. Given the notorious backlog and slow pace of the Indian judicial system, European managers must mandate that all JV contracts include strict international arbitration clauses. Establishing the legal seat of arbitration in a neutral, highly efficient jurisdiction (such as Singapore, Switzerland, or London) provides European firms with a reliable, enforceable legal safety net in the event of IP disputes or partnership dissolutions. Technology transfer should never be a day-one event; it must be a phased process, strictly conditional upon the local partner's proven adherence to European IP standards.

3.6 The Researcher’s Perspective: Synthesizing Ground Realities

After comprehensively evaluating both the macroeconomic data and the exclusive practitioner insights, the researcher has identified a distinct gap between the marketed political narrative of the 'Make in India' initiative and its actual operational reality. Stepping away from established theoretical models, this section provides an independent, critical assessment of the structural realities facing European supply chains. The analysis reveals three fundamental observations that redefine how European firms should evaluate their Indian expansion strategies.

1. **The Expectation Mismatch**: The Illusion of "Plug-and-Play" The first major observation revolves around a deep expectation mismatch between European headquarters and Indian ground realities. European managers frequently approach India with a mindset shaped by their successful expansions into Eastern Europe. When setting up operations in countries like Poland or Romania, European executives are accustomed to a "plug-and-play" environment—infrastructure is ready, industrial parks are standardized, and regulatory frameworks are largely harmonized with the broader European Union.

They often project this exact same expectation onto India, treating it as a massive, singular, and unified market waiting to be tapped. The researcher observes that this is a severe strategic miscalculation. Navigating the Indian market requires mastering its intense federal complexity. India operates less like a single country and more like a continent of distinct state-level ecosystems, each with its own labour laws, bureaucratic red tape, and infrastructure deficits. Expecting a seamless, standardized entry is a fundamental error that frequently leads to early operational paralysis for unprepared European firms.

2. **The Nuance of 'China Plus One':** A Complement, not a Replacement The second crucial realization is that the much-discussed 'China Plus One' strategy is widely misunderstood in mainstream corporate discourse. Popular narratives often frame this trend as a complete, aggressive decoupling from Chinese manufacturing. However, this independent analysis clearly shows that the reality is far more nuanced. It is not about leaving China entirely. Instead, India serves as a complementary node designed to de-risk supply chains, rather than replace existing ones completely. European companies are largely retaining their Chinese operations for sheer volume and historical efficiency, while building Indian facilities as a strategic hedge against geopolitical shocks.

The ultimate, most sustainable model for European firms moving forward is to "Design in India, Make for the World." This approach leverages the country's massive engineering and R&D talent pool rather than just its cheap labour. Yet, the researcher notes that this ambition is severely bottlenecked by a stark macroeconomic reality. Despite a decade of aggressive policy pushes, manufacturing stubbornly remains at merely 17% of India's GDP. The foundational physical infrastructure required to become a true global factory is still under construction. Until this baseline metric significantly improves, the vision of India fully absorbing China's manufacturing capacity remains an unfinished project.

3. **The Structural Exclusion of SMEs:** The Missing Middle This brings the analysis to the third, and arguably the most important, finding of this entire dissertation: the structural exclusion of Small and Medium Enterprises (SMEs). Throughout the primary data collection phase, a clear and undeniable consensus emerged independently from the expert practitioners.

The highly publicized benefits of the 'Make in India' initiative are overwhelmingly concentrated in the hands of massive multinational corporations.

Mega-corporations have the vast financial bandwidth, the legal teams, and the consulting budgets necessary to absorb the high costs of institutional friction and navigate the complex compliance layers of the Indian state. Conversely, SMEs—which form the absolute backbone of the European economy, representing over 99% of all businesses—are structurally locked out of these opportunities. They simply do not possess the risk appetite or the excess capital required to survive the immense bureaucratic delays. The researcher concludes that if 'Make in India' only functions efficiently for billion-dollar aerospace and energy conglomerates, it is fundamentally failing to capture the broader European market. Unless Indian policy frameworks are drastically simplified to accommodate these smaller, agile European firms, the true strategic potential of the EU-India manufacturing partnership will remain vastly untapped.

To fully grasp the magnitude of this structural exclusion, one must consider a practical, hypothetical scenario representing the European *Mittelstand*. Imagine a mid-sized German auto-parts manufacturer attempting to establish a facility in Pune, Maharashtra, to supply legacy European automakers and export components back to the EU. Initially, the macroeconomic data—a 60% reduction in labour costs compared to Eastern Europe—presents a compelling business case. However, upon market entry, the institutional friction immediately begins to erode these margins. First, the firm encounters the bureaucratic maze: acquiring land, securing environmental clearances, and connecting to the industrial power grid takes an average of six to eight months of continuous administrative lobbying—a delay that burns through the limited capital reserves of an SME.

Once operational, the regulatory clash intensifies. To export their manufactured components back to Germany, the firm is subjected to the newly implemented EU Carbon Border Adjustment Mechanism (CBAM). Because the local Indian industrial grid relies heavily on coal-fired power, the carbon footprint of their Indian-made components is extraordinarily high by European standards. The firm is forced to either pay massive carbon border taxes upon re-entry into the EU—effectively wiping out their initial labour cost savings—or independently invest millions of euros into captive solar power infrastructure, a capital expenditure they simply cannot afford. Furthermore, to integrate their Indian facility with their European headquarters, they must comply with GDPR. This requires setting up localized, highly secure data servers and hiring specialized compliance officers to manage supplier and employee data, adding layers of overhead that large multinationals absorb easily but which critically paralyze an SME. Ultimately, the mid-sized firm is forced to abandon the project, retreating to familiar, standardized markets in Eastern Europe. This scenario perfectly illustrates that while the 'Make in India' ecosystem is highly lucrative, its entry ticket is currently priced exclusively for the multinational elite, leaving the European 'missing middle' stranded.

4. The Regional Competitor: India vs. The "Altasia" Alternative

A final, critical observation from the researcher's synthesis of current market dynamics is that European supply chain relocation does not occur in a vacuum. When European manufacturers look for a 'China Plus One' destination, India is not their only option; it is actively competing with a highly agile bloc of Southeast Asian nations, frequently referred to in contemporary business strategy as "Altasia" (Alternative Asia). Among these, Vietnam stands out as India's most formidable competitor for European manufacturing capital. Examining how European firms choose between India and Vietnam provides the ultimate clarity on India's true position in the global value chain.

Currently, for European firms strictly seeking rapid, low-cost assembly to replace Chinese output, Vietnam often wins the initial evaluation. The reasons are fundamentally rooted in Institutional Theory and trade economics. Vietnam benefits immensely from the EU-Vietnam Free Trade Agreement (EVFTA), which has been fully operational since 2020. This agreement has already eliminated 99% of all tariffs, giving Vietnam a massive institutional head start over India, whose own EU-India FTA is still navigating the complexities of its early implementation phase following the 2026 agreement. Furthermore, Vietnam offers geographic proximity to China's southern manufacturing hubs, allowing European firms to seamlessly truck components across the border for final assembly without entirely severing their existing Chinese supply networks. In contrast, relocating to India requires setting up a completely distinct, standalone supply chain. Vietnam's industrial parks also genuinely offer the "plug-and-play" environment that European managers expect, with streamlined, single-window clearances that bypass the heavy federal bureaucracy typical of the Indian system.

However, the researcher notes that while Vietnam excels at capturing 'efficiency-seeking' FDI (cheap labour for immediate assembly), India offers a fundamentally different, longer-term strategic proposition. Vietnam's model has a strict ceiling: it has a population of 100 million and is already beginning to face labour shortages and infrastructure bottlenecks as foreign capital floods in. India, on the other hand, provides unmatchable scale. For European firms, the opportunity in India is not merely about finding a factory floor; it is about accessing the world's largest consumer market.

More importantly, India is unique in its ability to offer deep technological synergy. While Southeast Asia imports parts to assemble them, European firms are utilizing India's massive engineering talent to build Global Capability Centres (GCCs). The reality is that modern manufacturing is no longer just about heavy machinery; it is heavily reliant on software, artificial intelligence, and digital automation. European legacy industries, particularly automotive and heavy machinery firms, are moving to India not just to build physical products, but to integrate local software engineering into their global R&D networks.

Therefore, the researcher concludes that European supply chain strategy is bifurcating. Short-term, low-complexity manufacturing (like basic electronics assembly and textiles) will likely continue leaning toward Vietnam and Bangladesh due to fewer regulatory frictions and existing

FTAs. However, for high-value, complex European manufacturing—where deep integration of software, scalable domestic consumption, and long-term geopolitical trust are required—India remains the only viable structural alternative to China. European firms that understand this distinction, and structure their investments to treat India as an innovation hub rather than just a sweatshop, are the ones successfully navigating the 'Make in India' ecosystem.

3.7 Limitations and Future Research Directions

Every academic study operates within certain constraints, and it is vital to acknowledge them for methodological transparency. The primary limitation of this dissertation is the complete absence of quantitative survey data. Because the initial survey distribution yielded a 0% response rate—a common reality when targeting busy, high-level corporate executives—the analysis relies exclusively on secondary data triangulation and two expert interviews.

While speaking with elite practitioners like Mr. Ananda and Professor Ollapally provides immense strategic depth and exclusive geopolitical context, a sample size of two inherently prevents broad statistical generalizability. The findings accurately represent the strategic sentiment of top-level decision-makers, but they cannot claim to reflect the entire European market quantitatively. Furthermore, these high-level insights may not fully capture the day-to-day operational realities on the ground. To build upon this foundation, future research should aim for a much larger sample size of European managers. Specifically, subsequent studies would greatly benefit from qualitative, face-to-face interviews with local factory floor managers in India. Capturing these micro-level, operational nuances would help verify if the high-level strategic visions discussed in European boardrooms are actually functioning in practice.

3.8 Conclusion

The central research question of this dissertation sought to determine whether the 'Make in India' initiative has transformed India's role in European supply chains from a peripheral low-cost sourcing base into a strategic manufacturing and co-production partner. Based on a comprehensive analysis of macroeconomic trends and exclusive practitioner insights, the answer is a definitive yes.

The initiative has successfully triggered a structural shift in global supply chains. The evidence of this transformation is undeniable, highlighted by major industrial milestones such as the Airbus-Tata Final Assembly Line, Schneider Electric's massive EUR 5.5 billion domestic operational consolidation, and the recent landmark conclusion of the 2026 EU-India Free Trade Agreement. These developments confirm that European multinationals are no longer just buying basic components from India; they are deeply integrating the country into their core supply chain resilience strategies to hedge against geopolitical shocks. Within this evolving dynamic, France has notably emerged as India's most trustworthy and independent European partner, uniquely positioned to build long-term defence and civilian supply chains free from superpower pressures.

However, this strategic transformation remains fundamentally incomplete. The primary interview data provides a crucial reality check, revealing a stark contrast between political ambition and ground-level execution. The initiative's original goal to elevate manufacturing to 25% of the national GDP has essentially stalled at roughly 17%. Foundational gaps in human capital specifically the lack of a robust vocational training system—continue to frustrate incoming European firms. Most critically, the current system structurally excludes Small and Medium Enterprises (SMEs). While massive conglomerates possess the financial bandwidth to navigate India's intense federal bureaucracy and institutional friction, the agile European SMEs that form 99% of the EU economy are largely locked out of these opportunities.

Ultimately, India has proven it possesses the market size and the geopolitical positioning necessary to absorb European manufacturing capacity seeking a 'China Plus One' alternative. Yet, unlocking this full potential requires deep, structural reforms in local skills development and state-level ease of doing business. At present, the political promise of the 'Make in India' initiative still outpaces its operational delivery, but the overall strategic direction is unmistakably positive.

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List of tables, diagrams and images

Figures

Appendix

Appendix A — survey questionnaire

https://docs.google.com/document/d/1ad6gqygdnqzrhjthdyympj9hgodt3jbftimng5ngbw0/edit?usp=sharing

Appendix B — interview transcript: Mr. Coumar Ananda full transcript available at:

https://drive.google.com/file/d/19dgwgxvpsugsfnqvvl1fapsnsyo8eucp/view?usp=sharing

Appendix C — interview transcript: Professor Deepa m. Ollapally full meeting available at: https://drive.google.com/file/d/1hssxkqh6aabwfa5gyh6ooji2y2awfcwu/view?usp=drive_link

Appendix D — AI Tools Used During Research

In accordance with ESDES academic guidelines, the following AI tools were used during the preparation of this dissertation. Full usage history is stored securely and available upon request.

1. Claude (Anthropic) Used for: Research structuring, drafting support, formatting guidance, and methodology organisation.

2. Perplexity AI Used for: Academic resource discovery, source identification, and background research on Make in India policy developments, EU-India trade data, and sector-specific statistics.

Note: All analytical conclusions, theoretical frameworks, interview findings, and final written content represent the researcher's own critical thinking and academic judgement. AI tools were used as research assistance only — not for generating academic arguments or conclusions.

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Title: The Impact of India's Make in India Initiative on European Companies: A Threat or an Opportunity for European Supply Chains?

Research Question: To what extent has the Make in India initiative transformed India's role in European supply chains — from a peripheral low-cost sourcing base to a strategic manufacturing and co-production partner — and what are the key opportunities and institutional barriers for European firms?

Abstract (20-25 lines): This dissertation examines how India's Make in India initiative, launched in 2014, has influenced the strategic supply chain decisions of European manufacturing firms. Drawing on Dunning's OLI Paradigm, Global Value Chain theory, and Institutional Theory, the research analyses foreign direct investment patterns, co-production partnerships, and regulatory friction between European and Indian institutional frameworks. The empirical component combines comprehensive secondary data — including corporate reports from Schneider Electric, Airbus, and Siemens, government publications, and independent policy analyses — with two original expert practitioner interviews conducted in May 2026. The first interview was held with Mr. Coumar Ananda, President of the Franco-Indian Chamber of Commerce and Vice President Southern Europe at Tech Mahindra. The second was with Professor Deepa M. Ollapally, Research Professor at George Washington University and Director of the Rising Powers Initiative. The findings reveal that Make in India has successfully repositioned India from a peripheral sourcing destination to a core strategic partner for European supply chains, as demonstrated by the Airbus-Tata helicopter Final Assembly Line, Schneider Electric's full acquisition of its Indian operations, and the EU-India Free Trade Agreement concluded in January 2026. However, this transformation remains structurally incomplete. India's manufacturing sector accounts for only 17% of GDP, barely higher than when the initiative launched. Infrastructure deficits, complex bureaucracy, and a significant skills shortage continue to present real obstacles. Furthermore, European SMEs — representing 99% of European businesses — remain largely excluded from Make in India's benefits due to prohibitive compliance costs and institutional complexity. The dissertation concludes that Make in India represents a genuine strategic opportunity for European supply chains, but one that is unevenly distributed and dependent on resolving institutional friction to become universally accessible.

Keywords: Make in India, European Supply Chains, Foreign Direct Investment, Global Value Chain, Strategic Autonomy

Titre: L'impact de l'initiative « Make in India » sur les entreprises européennes : une menace ou une opportunité pour les chaînes d'approvisionnement européennes ?

Problématique: Dans quelle mesure l'initiative Make in India a-t-elle transformé le rôle de l'Inde dans les chaînes d'approvisionnement européennes — d'une base de sourcing à faible coût à un partenaire stratégique de fabrication et de co-production — et quels sont les principales opportunités et obstacles institutionnels pour les entreprises européennes ?

Résumé: Cette dissertation examine comment l'initiative Make in India, lancée en 2014, a influencé les décisions stratégiques des entreprises manufacturières européennes en matière de chaînes d'approvisionnement. S'appuyant sur le paradigme OLI de Dunning, la théorie des chaînes de valeur mondiales et la théorie institutionnelle, la recherche analyse les flux d'investissements directs étrangers, les partenariats de co-production et les frictions réglementaires entre les cadres institutionnels européens et indiens. Le volet empirique combine des données secondaires complètes avec deux entretiens originaux menés en mai 2026 — avec M. Coumar Ananda, Président de la Chambre de Commerce Franco-Indienne, et la Professeure Deepa M. Ollapally de l'Université George Washington. Les résultats révèlent que Make in India a repositionné l'Inde comme partenaire stratégique central pour les chaînes d'approvisionnement européennes, illustré par la ligne d'assemblage final Airbus-Tata et l'accord de libre-échange UE-Inde conclu en janvier 2026. Cependant, cette transformation reste incomplète — le secteur manufacturier indien ne représente que 17% du PIB, les déficits d'infrastructure persistent, et les PME européennes restent largement exclues des bénéfices. La dissertation conclut que Make in India représente une véritable opportunité stratégique pour les chaînes d'approvisionnement européennes, mais inégalement distribuée et conditionnelle à la résolution des frictions institutionnelles.

Mots-clés: Make in India, Chaînes d'approvisionnement européennes, Investissement direct étranger, Chaîne de valeur mondiale, Autonomie stratégique