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DECOUPLING FROM CHINA: ASSESSING THE IMPACT OF WEST'S CHINA PLUS ONE POLICIES ON THE INDIAN ECONOMY

Dr. Amaan Anjum

Assistant Professor, Department of Commerce, Shia P.G. College, Lucknow.

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ABSTRACT

The China Plus One (C+1) strategy has emerged as a significant realignment in global supply chains as businesses seek to reduce their over dependence on China. This paper explores India's role in this strategy by assessing economic, infrastructural, and policy developments aimed at attracting foreign investments. Through an extensive sector-wise evaluation, the study examines India's competitive advantages, key obstacles, and the effectiveness of government initiatives such as the Production Linked Incentive (PLI) scheme and the Make in India program. Additionally, this paper compares India with alternative destinations like Vietnam, Mexico, and Indonesia to provide a broader understanding of global manufacturing shifts. The study also explores the economic impact of C+1 on India's GDP, employment rates, trade balance, and industrial output. The paper concludes with strategic recommendations for India to strengthen its position as a leading global manufacturing hub.

KEYWORDS: China Plus One, Supply Chain Diversification, India, Foreign Direct Investment, Trade Policy, Manufacturing Competitiveness, Economic Strategy, Industrial Development

INTRODUCTION

The China Plus One strategy is a response to the increasing risks associated with over-reliance on China for global manufacturing. Factors such as rising labour costs, geopolitical tensions, trade disputes, and supply chain disruptions—particularly those exposed during the COVID-19 pandemic—have prompted companies to diversify production bases. India, with its demographic advantages, cost-competitive labour market, and evolving policy landscape, is positioned as a potential alternative. However, despite strong government initiatives, India's ability to fully capitalize on the strategy is still evolving. This paper investigates the factors shaping India's role in China Plus One and the broader global supply chain restructuring. Additionally, it provides an in-depth analysis of India's macroeconomic positioning, trade partnerships, and long-term industrial growth.

Table 1: Factors Influencing the China Plus One Strategy

Factor	Impact on China	Impact on India
Rising labor costs	Increased production expenses	Lower operational costs
Geopolitical risks	U.S.-China trade war concerns	Strategic regional stability
COVID-19 disruptions	Factory shutdowns	Policy push for self-reliance (Atmanirbhar Bharat)
Supply chain diversification	Need for alternate hubs	Growth in FDI inflows, expansion in manufacturing

LITERATURE REVIEW

A broad spectrum of literature discusses the China Plus One strategy from geopolitical, economic, and industry-specific perspectives. Key insights include: Geopolitical and Economic Shifts: The World Bank (2021) and IMF (2022) highlight how U.S.-China tensions and global economic shifts have accelerated diversification efforts. These reports emphasize India's potential but also recognize the infrastructural and regulatory challenges impeding its full-scale adoption of the strategy. Manufacturing and Investment Trends: Deloitte (2022) reports an uptick in India's FDI inflows, especially in electronics, automotive, and pharmaceuticals. However, comparative analyses indicate that Vietnam and Mexico maintain an edge due to streamlined regulatory frameworks and well-integrated global trade agreements. Government Policies and Business Environment: NITI Aayog and Ministry of Commerce reports evaluate India's progress under policies such as Make in India and the PLI scheme, acknowledging improvements but also noting persistent concerns related to logistics, taxation, and ease of doing business. Sectoral Impacts: Studies from the Journal of International Business Studies (2023) and Harvard Business Review provide a sector-wise analysis, indicating that while India excels in pharmaceuticals and IT services, its performance in high-tech electronics and precision manufacturing lags behind. Comparative Global Market Analysis: Research from the Asian Development Bank (2023) compares India with alternative manufacturing hubs like Thailand, Malaysia, and Indonesia, providing insight into India's relative advantages and disadvantages. These studies collectively underscore the opportunities and challenges India faces in becoming a preferred manufacturing destination under the China Plus One strategy.

RESEARCH METHODOLOGY

This study employs a mixed-methods research approach, integrating qualitative and quantitative methodologies to assess the China Plus One strategy's impact on India. The methodology comprises Data Collection: Primary and secondary data sources, including government reports, industry white papers, and peer-reviewed academic literature. Statistical data on FDI inflows, employment rates, and manufacturing growth are sourced from the Reserve Bank of India (RBI), World Bank, and Ministry of Commerce and Industry. Comparative Benchmarking: India's competitiveness is assessed against Vietnam, Mexico, and Indonesia based on key parameters such as labour costs, infrastructure, trade

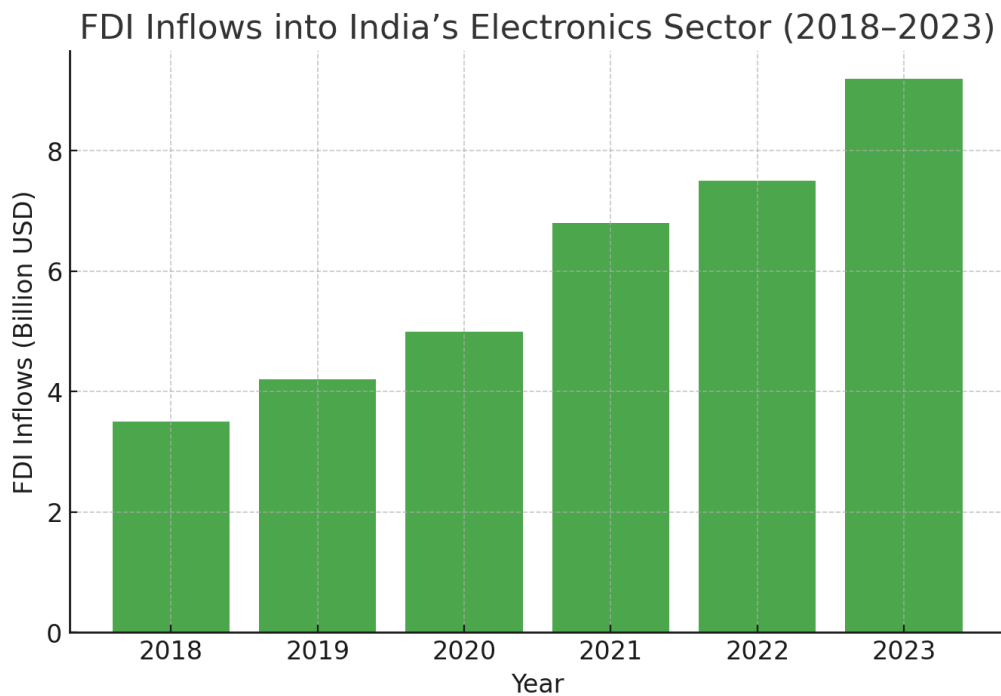
agreements, and investment attractiveness. Case Studies: Real-world case studies of multinational corporations—such as Apple, Foxconn, Tesla, and Samsung—that have expanded their operations in India under the China Plus One strategy are analysed to understand corporate motivations, challenges, and success factors. Economic Modelling and Forecasting: Historical trends and macroeconomic indicators are used to predict the future trajectory of India's role in global supply chains, including potential impacts on GDP, employment, and industrial output. Policy Analysis: The study evaluates key policies shaping India's industrial and trade environment, including trade liberalization measures, tax incentives, and regional trade agreements.

Sectoral Impact of China Plus One Strategy in India

Electronics and Semiconductor Industry

India has emerged as a key player in smartphone and semiconductor manufacturing. Companies like Apple, Samsung, and Foxconn are expanding production in India, with Apple expected to shift 25% of iPhone production to India by 2025. The government's Semicon India Program and policies supporting chip manufacturing aim to reduce dependency on China for semiconductor components and strengthen India's role in the global electronics market. Additionally, India has been fostering partnerships with global semiconductor giants like TSMC and Intel to establish chip fabrication units, ensuring a stronger domestic supply chain. The growing demand for 5G-enabled devices and increasing localization efforts are further boosting investments in this sector.

Despite these positive developments, challenges such as inadequate semiconductor fabrication facilities, dependency on raw material imports, and a shortage of skilled labour in high-tech manufacturing persist. The government is working towards addressing these challenges by introducing incentive schemes, facilitating research collaborations between universities and industries, and encouraging local start-ups to innovate in chip design and manufacturing. By creating a robust ecosystem of electronic components and microchips, India can significantly enhance its self-reliance in this sector and attract more global investors.



Textiles and Apparel Industry

India's textile sector is benefiting from the China Plus One strategy, particularly through the MITRA Parks Scheme, which promotes textile clusters and modernized production facilities. Additionally, government-backed incentives such as duty-free access to European markets and Free Trade Agreements (FTAs) with countries like Australia and the UAE are creating new opportunities for Indian textile exporters. However, despite cost advantages, the Indian textile industry faces challenges in scaling up to meet bulk global orders. Infrastructure gaps, inefficiencies in supply chain logistics, and competition from Bangladesh and Vietnam remain significant hurdles. Investments in sustainable textile manufacturing and digital supply chain integration are critical to making India a dominant player in global apparel exports.

To enhance its position, India is adopting sustainable textile practices by investing in eco-friendly dyeing techniques, water conservation measures, and circular economy initiatives. The use of artificial intelligence and blockchain technology in supply chain management is improving efficiency and reducing lead times. Moreover, the government is working on skill development programs tailored to textile workers to ensure a steady supply of skilled labor. These measures will help Indian textile manufacturers improve their global competitiveness and capture a larger share of the export market.



Automobile and EV Sector

Tesla, BMW, and Toyota have announced major investment plans in India. The PLI scheme for electric vehicles (EVs) has attracted \$3.5 billion in commitments, boosting local EV production. India has also been expanding its domestic battery production capacity, ensuring a competitive edge in the global EV market. Furthermore, the government is aggressively promoting EV adoption through FAME II subsidies, incentives for battery swapping infrastructure, and mandating EV adoption in public transportation fleets. Local automotive giants like Tata Motors and Mahindra are accelerating the production of affordable EVs to cater to the growing domestic and export markets.

However, challenges such as inadequate charging infrastructure, high battery costs, and dependency on lithium-ion imports still need to be addressed for India to become a leading EV manufacturing hub. To tackle these issues, the Indian government is exploring partnerships with global battery manufacturers to establish domestic lithium-ion battery production plants. Additionally, investments in alternative battery technologies such as solid-state batteries and hydrogen fuel cells are gaining traction. Expanding EV charging networks across major highways and urban areas is also a key focus, with state governments playing an active role in facilitating infrastructure development.

With consistent policy support, strategic investments, and advancements in green mobility technologies, India can position itself as a leader in the global EV industry and reduce its reliance on China for critical components.

China's Declining Manufacturing Dominance

China has been the dominant global manufacturing hub for over three decades, contributing 28.7% of the world's manufacturing output. However, increased labour costs, stricter environmental laws, U.S.-China trade tensions, and concerns over intellectual property theft have pushed multinational corporations to diversify their supply chains.

The Chinese government has also implemented regulatory policies to reduce pollution and carbon emissions, further increasing production costs. This shift has led companies to reconsider their reliance on China, particularly in industries such as electronics, textiles, and automobile manufacturing. Additionally, the implementation of new energy regulations and an emphasis on sustainability have caused fluctuations in raw material availability and pricing, further impacting manufacturing costs. As of 2023, China's manufacturing wages have risen to approximately \$7 per hour, compared to \$2 per hour in India. Additionally, tariffs imposed on Chinese exports by the United States have created incentives for companies to shift production elsewhere. India, alongside Vietnam and Mexico, has emerged as a key competitor due to lower operational costs, a stable political environment, and government-driven industrial incentives. Other factors contributing to China's declining dominance include stricter foreign investment laws, evolving tax structures, and a shift in focus toward domestic consumption rather than export-led growth.

Furthermore, China's aging workforce and declining birth rates have raised concerns about labour shortages in the future. The country's one-child policy, which was in effect for decades, has led to demographic imbalances, resulting in a shrinking labour pool. In contrast, countries like India benefit from a younger workforce with a growing labour force participation rate. Additionally, India has been investing in infrastructure projects such as industrial corridors, new ports, and enhanced rail networks, making it a more attractive option for foreign manufacturers. The Eastern and Western Dedicated Freight Corridors are expected to further reduce logistics costs and enhance supply chain efficiency. China's supply chain challenges were further highlighted during the COVID-19 pandemic, when lockdowns and port closures disrupted global trade. Many multinational corporations suffered production halts and delays, reinforcing the need to diversify supply chains. Companies now seek to establish manufacturing bases in multiple countries to mitigate risks, leading to increased investments in alternative locations such as India, Vietnam, Thailand, and Mexico. Furthermore, the uncertainty surrounding China's Zero-COVID policy and its prolonged economic impact led many global companies to accelerate their diversification efforts. The heavy reliance on just-in-time inventory models, which struggled under pandemic-induced disruptions, also forced companies to explore resilient supply chain models with alternative production bases.

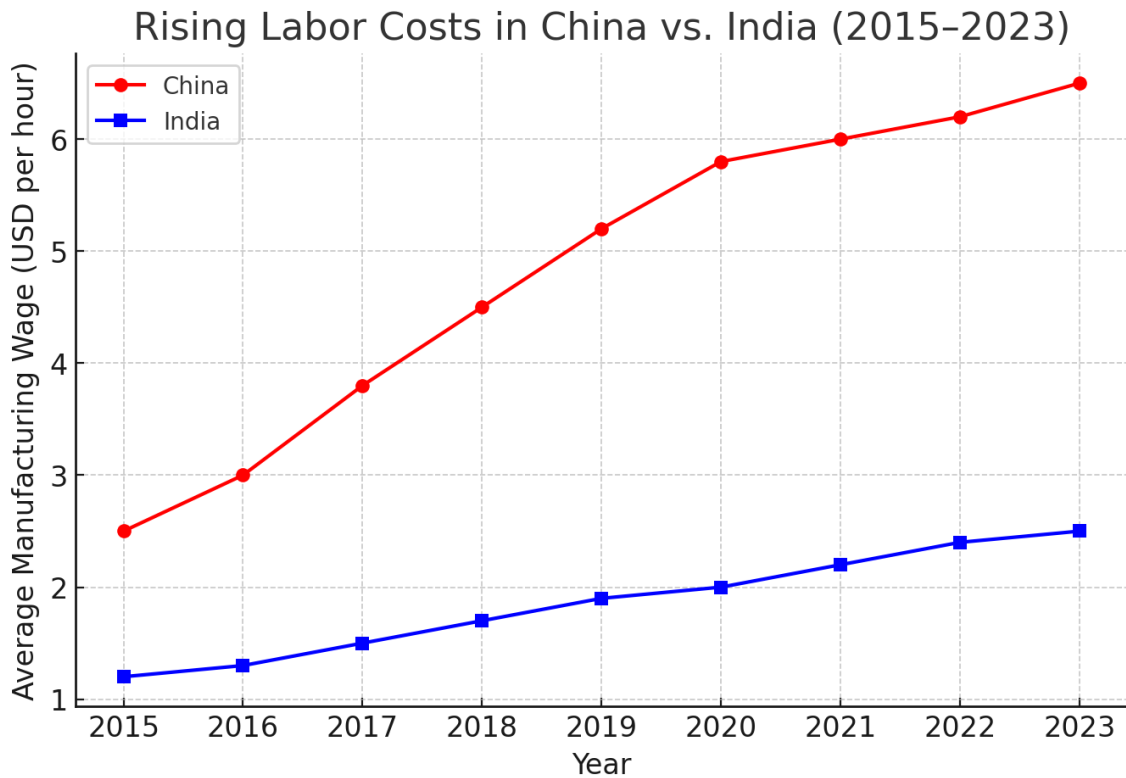
Another critical factor affecting China's manufacturing industry is rising energy costs. China has



experienced periodic power shortages due to increased industrial demand and regulatory crackdowns on high-carbon-emission industries. These power supply inconsistencies have created disruptions in manufacturing output, pushing companies to seek more stable alternatives. Countries such as India and Vietnam, which are rapidly expanding their renewable energy capacity, have become attractive destinations for businesses looking for stable and cost-effective energy sources. India's National Hydrogen Mission and expansion in solar and wind energy production have further improved the country's appeal to foreign investors.

Additionally, China's growing political tensions with the United States, the European Union, and neighbouring Asian countries have led to increased risks for businesses operating in China. Restrictions on technology exports, concerns over Taiwan's geopolitical stability, and increased scrutiny on data security and business operations have led many companies to adopt a China Plus One strategy. This trend has also resulted in global companies diversifying their research and development (R&D) facilities and data centres outside of China.

China remains a key player in global manufacturing, but its economic policies, rising labour costs, and global trade tensions have accelerated the shift towards supply chain diversification. Countries adopting the China Plus One strategy stand to benefit from this evolving global trade landscape. Businesses are increasingly looking at special economic zones (SEZs), tax incentives, and ease-of-doing-business reforms in emerging markets to establish more resilient supply chains. Additionally, digitalization and smart manufacturing, including the adoption of Industry 4.0 technologies, are playing an essential role in optimizing manufacturing operations and reducing dependency on China.



India's Position as an Alternative Manufacturing Hub

India has actively sought to attract investment through various policy initiatives. The country's large workforce, cost-effective manufacturing processes, and business-friendly reforms have made it a strong contender in the China Plus One strategy. With the Indian government focusing on digital transformation, regulatory simplifications, and tax incentives, the country is positioned to attract major global players. India offers several strategic advantages that make it an appealing alternative for global manufacturers looking to diversify their supply chains away from China.

Demographic Advantage: India has a working-age population of over 900 million, expected to grow until 2050, providing a sustainable labour force for manufacturing. Unlike China, which is experiencing an aging workforce, India's demographic dividend ensures a steady supply of skilled and semi-skilled workers.

Competitive Labour Costs: With manufacturing wages in India averaging \$2 per hour, significantly lower than China's \$7 per hour, India remains a cost-effective location for businesses seeking to optimize production expenses.

Strategic Geographic Location: India's location in the Indo-Pacific region allows easy access to markets in Europe, the Middle East, Africa, and Southeast Asia, facilitating global trade and logistics efficiency.

Improving Infrastructure: Major infrastructure projects such as the Delhi-Mumbai Industrial Corridor (DMIC), Chennai-Bengaluru Industrial Corridor (CBIC), and Eastern & Western Dedicated Freight Corridors are being developed to enhance transportation and logistics capabilities, reducing costs for manufacturers.

Digital and Technological Advancements: The government's push for Industry 4.0 adoption, artificial intelligence (AI), blockchain, and the Unified Logistics Interface Platform (ULIP) ensures seamless data-driven supply chain management, making India an attractive destination for high-tech industries.

Favourable Trade Agreements and Policies: India is actively negotiating Free Trade Agreements (FTAs) with the European Union, the United Kingdom, and Canada, while also strengthening existing ties with ASEAN, Japan, and Australia under the Comprehensive Economic Partnership Agreements (CEPAs) to ensure market access for Indian-manufactured goods.

Key Industries Benefiting from the China Plus One Strategy in India

Electronics Manufacturing: Global tech giants like Apple, Samsung, and Xiaomi are expanding their presence in India, with Apple shifting 25% of its iPhone production to India by 2025. The PLI scheme for large-scale electronics manufacturing has further incentivized investments in this sector.

Automobile and Electric Vehicles (EVs): Major players such as Tesla, Tata Motors, and Hyundai have ramped up their manufacturing efforts in India, leveraging government subsidies and policies supporting clean energy solutions.

Pharmaceuticals and Life Sciences: India is the world's largest supplier of generic medicines, with companies like Sun Pharma, Dr. Reddy's, and Cipla investing in expanded manufacturing facilities under government incentives.

Textiles and Apparel: As part of the MITRA Parks Scheme, India is strengthening its textile manufacturing ecosystem, reducing dependence on China's apparel supply chain and boosting exports.

Semiconductors and High-Tech Manufacturing: The Semicon India Program aims to establish domestic chip fabrication units, attracting major investments from companies like Foxconn and Vedanta, positioning India as a leader in the global semiconductor industry.

With its strong policy framework, cost advantages, and infrastructure development, India is emerging as a key player in the China Plus One strategy, offering a sustainable and scalable alternative for global manufacturers looking to diversify their operations beyond China.

Government Initiatives Supporting Manufacturing

The Indian government has implemented various policies and initiatives to attract foreign investment and strengthen domestic manufacturing capabilities. These initiatives aim to enhance industrial output, improve supply chain efficiency, and boost employment opportunities. Below are key government programs facilitating India's growth as a manufacturing hub:

Production Linked Incentive (PLI) Scheme: The PLI scheme provides financial incentives to companies in sectors such as electronics, pharmaceuticals, automobiles, textiles, and semiconductors. It aims to encourage large-scale manufacturing by offering subsidies based on incremental production, thus making India a competitive alternative to China. For instance, in the electronics sector, major global firms such as Apple, Samsung, and Foxconn have ramped up production in India under this scheme. The government has allocated ₹1.97 lakh crore (\$26 billion) across 14 sectors to increase manufacturing output and reduce import dependency.

National Logistics Policy (NLP): Launched in 2022, the National Logistics Policy focuses on reducing logistics costs and enhancing India's supply chain efficiency. The policy aims to integrate digital technologies such as Unified Logistics Interface Platform (ULIP) to improve real-time tracking, reduce delays, and streamline multimodal logistics. By enhancing port connectivity, warehousing infrastructure, and transportation networks, NLP ensures that India remains a preferred destination for global supply chain diversification under the China Plus One strategy.

Skill India Initiative: Workforce development is a crucial pillar in India's manufacturing growth. The Skill India Initiative is designed to upskill millions of workers to meet the demands of high-tech industries relocating from China. Through programs like Pradhan Mantri Kaushal Vikas Yojana (PMKVY) and Apprenticeship Training Scheme (ATS), the government is focusing on training individuals in AI, robotics, advanced manufacturing, and semiconductor technology. The goal is to create a talent pool that supports foreign investors and ensures a smooth transition for industries setting up operations in India.

Make in India has played a pivotal role in positioning India as a global manufacturing powerhouse. The program promotes domestic production by offering tax incentives, streamlined regulatory approvals, and infrastructure development. It has successfully attracted global corporations like Tesla, Boeing, and Siemens, encouraging them to establish manufacturing units in India. Additionally, the initiative supports the creation of industrial corridors and plug-and-play manufacturing zones, improving ease of business for foreign investors.

These government initiatives collectively contribute to India's ambition of becoming a leading global



manufacturing hub by fostering innovation, reducing operational costs, and improving workforce readiness.

Enhance Infrastructure India must prioritize the development of world-class industrial corridors, logistics hubs, and smart manufacturing zones. Increased investments in multi-modal transportation, high-speed rail networks, and dedicated freight corridors will help reduce logistics costs, which currently stand at 14% of GDP, compared to 8% in China. The expansion of special economic zones (SEZs) and plug-and-play industrial parks will further streamline supply chain operations and attract foreign investment.

Policy Reforms Streamlining regulatory approvals and simplifying tax structures will enhance India's ease of doing business. Single-window clearance mechanisms, land acquisition reforms, and labour law flexibility will encourage multinational companies to establish production units in India. Strengthening intellectual property protection and contract enforcement will also foster a more secure business environment for global investors.

Promote R&D and High-Tech Manufacturing Investing in artificial intelligence (AI), robotics, semiconductor industries, and precision engineering is essential to position India as a leader in advanced manufacturing. Government-backed initiatives, such as the Semicon India Program, must be expanded to establish semiconductor fabrication units (fabs) and reduce dependency on China for critical electronic components. Collaborations between universities, private enterprises, and global technology leaders will accelerate innovation and enhance India's manufacturing capabilities.

Expand Trade Agreements Strengthening Free Trade Agreements (FTAs) with the EU, U.S., ASEAN countries, and key global markets will improve market access for Indian exports. Negotiating favourable tariff structures and reducing non-tariff barriers will enable Indian manufacturers to compete on a global scale. India must also explore participation in regional trade pacts such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) to expand its export potential.

Sustainability and Green Manufacturing As global industries shift towards sustainable production, India must invest in renewable energy sources, green hydrogen, and low-carbon manufacturing. Expanding the National Hydrogen Mission and increasing solar and wind energy capacity will help India achieve energy self-sufficiency while reducing the carbon footprint of its manufacturing sector. Implementing circular economy practices, such as waste recycling and eco-friendly production, will further align India's industrial growth with global sustainability standards.

Skill Development and Workforce Training A robust workforce is crucial for the success of the China Plus One strategy. India must strengthen its Skill India Initiative, focus on vocational training in high-tech industries, and integrate STEM education into its workforce development programs. Public-private partnerships can facilitate industry-relevant training, ensuring that India’s labour force is well-equipped to meet the demands of global manufacturers.

By implementing these strategic initiatives, India can maximize the benefits of the China Plus One strategy and solidify its position as a leading global manufacturing hub. The combination of pro-business policies, cutting-edge technology adoption, enhanced trade partnerships, and sustainable manufacturing practices will create a resilient, competitive, and future-ready industrial ecosystem.

Table 2: India vs. Other Alternatives in China Plus One Strategy

Country	Key Advantages	Challenges
India	Large workforce, strong IT sector, government incentives	Bureaucratic hurdles, infrastructure gaps
Vietnam	Low costs, proximity to China, strong trade agreements	Limited workforce size, smaller domestic market
Mexico	Near-shoring advantage for U.S. firms, USMCA trade deal	Security issues, economic volatility

Challenges India Faces in Adopting the China Plus One Strategy

Infrastructure Bottlenecks Despite progress in industrial corridors and logistics hubs, India’s logistics costs remain 14% of GDP, compared to 8% in China. Addressing these inefficiencies is critical for sustained growth. Key challenges include inadequate last-mile connectivity, outdated port facilities, and inefficiencies in freight transportation. The government’s National Infrastructure Pipeline (NIP) and Gati Shakti Initiative aim to modernize logistics and reduce costs, yet further policy interventions and private sector participation are needed to expedite progress. Additionally, rail freight services need enhancement to match global standards, and warehouse automation must be improved to ensure seamless inventory management and distribution. Investing in smart logistics solutions, such as AI-driven route optimization and blockchain-enabled supply chain tracking, can further enhance efficiency.

Furthermore, inadequate power supply and high electricity costs also pose significant obstacles to industrial expansion. While India has made strides in renewable energy, inconsistent energy availability in rural and semi-urban manufacturing hubs affects production consistency. Expanding



grid infrastructure and incentivizing private-sector investment in clean energy can help bridge this gap and provide stable power to industries. The Renewable Energy Investment Promotion and Facilitation Board (REIPFB) is working to attract foreign investments in solar and wind energy, aiming to stabilize power supply for industrial clusters.

Additionally, India's port infrastructure and multimodal transport systems require urgent upgrades to handle increasing trade volumes efficiently. The Sagarmala Program is a step in the right direction, aiming to modernize ports and create new inland waterways, reducing logistical bottlenecks. However, execution delays and coordination challenges between central and state governments continue to slow down infrastructure advancements.

Bureaucratic and Regulatory Hurdles India ranks 63rd in the Ease of Doing Business Index, with policy unpredictability posing concerns for investors. Regulatory red tape, slow land acquisition processes, and tax complexities hinder business expansion. The introduction of the Goods and Services Tax (GST) and Single Window Clearance System have improved efficiency, but further simplifications in compliance procedures are necessary to create a more investor-friendly environment. Additionally, greater transparency in bureaucratic processes will bolster confidence among foreign companies considering India as an alternative manufacturing base. Addressing inter-state regulatory discrepancies and streamlining labour laws will also play a critical role in fostering a pro-business ecosystem.

Another key issue is the delayed judicial process in commercial dispute resolution. The backlog of cases in Indian courts often results in prolonged legal battles, discouraging foreign investments. Establishing specialized commercial courts with expedited timelines and leveraging arbitration mechanisms can significantly enhance investor confidence. Further, strengthening intellectual property rights (IPR) enforcement will ensure that global businesses feel secure in bringing high-value technology and innovation-driven industries to India. The Commercial Courts Act and the National IPR Policy aim to improve legal frameworks, but implementation at the state level remains inconsistent.

Moreover, businesses often face difficulties navigating land acquisition laws, which vary across states. The Right to Fair Compensation and Transparency in Land Acquisition Act was introduced to simplify land procurement for industrial projects, but bureaucratic delays continue to impede large-scale investments.

Although India has a large workforce, high-tech skill gaps in areas such as AI, robotics, and semiconductor manufacturing must be addressed through enhanced vocational training and university-

industry partnerships. The Skill India Initiative and National Apprenticeship Promotion Scheme (NAPS) have contributed to upskilling efforts, yet alignment between industry needs and academic curricula remains a challenge. Strengthening public-private collaborations and expanding industry-led skill development programs will be crucial to bridging this gap and ensuring a future-ready workforce. Furthermore, specialized training in advanced manufacturing techniques, automation, and data analytics must be integrated into technical education institutions to prepare the workforce for the evolving demands of global manufacturing.

Additionally, India must promote STEM education at the primary and secondary levels to build a strong foundation for future engineers and technicians. Collaboration with multinational corporations to set up innovation hubs and training centres can also help create an industry-ready talent pool. To remain competitive, India needs to accelerate digital literacy programs and expand incentives for research and development (R&D) in emerging fields such as quantum computing, biotechnology, and nanotechnology. By fostering an ecosystem of continuous learning and innovation, India can better align its workforce with global industry demands and solidify its role in the China Plus One strategy. To further enhance workforce preparedness, India's National Education Policy (NEP 2020) emphasizes experiential learning, coding, and interdisciplinary studies, ensuring students develop industry-relevant skills. Partnering with global institutions for faculty exchange programs and developing sector-specific training centres will be essential to meeting the growing demand for skilled professionals in high-tech industries.

Future Outlook and Strategic Recommendations

To fully leverage the China Plus One strategy, India must implement comprehensive reforms across various domains, including infrastructure, policy, technology, and trade agreements. The following strategic recommendations outline the key areas where India needs to strengthen its position to emerge as a global manufacturing hub.

Enhance Infrastructure: India must prioritize the development of world-class industrial corridors, logistics hubs, and smart manufacturing zones. Increased investments in multi-modal transportation, high-speed rail networks, and dedicated freight corridors will help reduce logistics costs, which currently stand at 14% of GDP, compared to 8% in China. The expansion of special economic zones (SEZs) and plug-and-play industrial parks will further streamline supply chain operations and attract foreign investment.

Policy Reforms: Streamlining regulatory approvals and simplifying tax structures will enhance India's ease of doing business. Single-window clearance mechanisms, land acquisition reforms, and labour law flexibility will encourage multinational companies to establish production units in India.

Strengthening intellectual property protection and contract enforcement will also foster a more secure business environment for global investors.

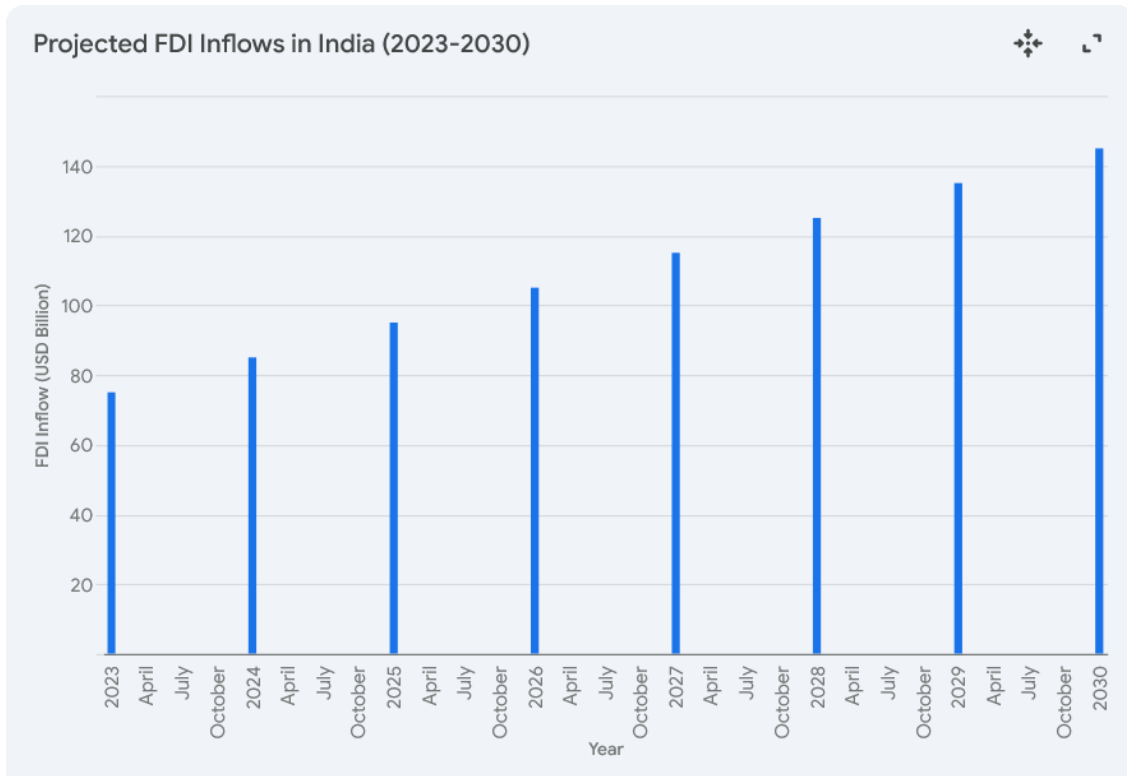
Promote R&D and High-Tech Manufacturing: Investing in artificial intelligence (AI), robotics, semiconductor industries, and precision engineering is essential to position India as a leader in advanced manufacturing. Government-backed initiatives, such as the Semicon India Program, must be expanded to establish semiconductor fabrication units (fabs) and reduce dependency on China for critical electronic components. Collaborations between universities, private enterprises, and global technology leaders will accelerate innovation and enhance India's manufacturing capabilities.

Expand Trade Agreements: Strengthening Free Trade Agreements (FTAs) with the EU, U.S., ASEAN countries, and key global markets will improve market access for Indian exports. Negotiating favourable tariff structures and reducing non-tariff barriers will enable Indian manufacturers to compete on a global scale. India must also explore participation in regional trade pacts such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) to expand its export potential.

Sustainability and Green Manufacturing: As global industries shift towards sustainable production, India must invest in renewable energy sources, green hydrogen, and low-carbon manufacturing. Expanding the National Hydrogen Mission and increasing solar and wind energy capacity will help India achieve energy self-sufficiency while reducing the carbon footprint of its manufacturing sector. Implementing circular economy practices, such as waste recycling and eco-friendly production, will further align India's industrial growth with global sustainability standards.

Skill Development and Workforce Training: A robust workforce is crucial for the success of the China Plus One strategy. India must strengthen its Skill India Initiative, focus on vocational training in high-tech industries, and integrate STEM education into its workforce development programs. Public-private partnerships can facilitate industry-relevant training, ensuring that India's labour force is well-equipped to meet the demands of global manufacturers.

By implementing these strategic initiatives, India can maximize the benefits of the China Plus One strategy and solidify its position as a leading global manufacturing hub. The combination of pro-business policies, cutting-edge technology adoption, enhanced trade partnerships, and sustainable manufacturing practices will create a resilient, competitive, and future-ready industrial ecosystem.



CONCLUSION

The China Plus One strategy presents a significant opportunity for India to strengthen its manufacturing ecosystem and global trade position. By addressing infrastructure gaps, policy inefficiencies, and workforce skill enhancement, India can emerge as a preferred manufacturing hub for global supply chains. Collaboration between government and industry stakeholders will be key to sustaining long-term success in the evolving global economic landscape.

Furthermore, India must ensure sustainable industrial growth by integrating renewable energy solutions, optimizing logistics networks, and strengthening digital infrastructure. The role of policy consistency, especially in taxation, labour laws, and trade agreements, will be crucial in maintaining investor confidence. Additionally, fostering innovation through research and development, start-ups incubation, and skill-building programs will be vital to keeping pace with technological advancements in manufacturing.

India's ability to leverage technology, policy reforms, and trade partnerships will determine the extent of its success in capitalizing on the China Plus One opportunity. With a focused and strategic approach, India can position itself as a global manufacturing leader, offering businesses an alternative that is

both economically viable and geopolitically stable.

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