

Institute of Chinese Studies

WEDNESDAY SEMINAR

*India in the China+1
Ecosystem: Trends,
Challenges and Future
Prospects*

EXECUTIVE SUMMARY

Speaker:

Joe Thomas Karackattu

11 March 2026

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Speaker: Prof. Joe Thomas Karackattu, Professor, Department of Humanities and Social Sciences, Indian Institute of Technology, Madras.

Chair: Prof. Biswajit Dhar, Development Economist and former Professor, Centre for Economic Studies and Planning, School of Social Sciences, Jawaharlal Nehru University, New Delhi; and, Honorary Fellow, Institute of Chinese Studies, New Delhi.

Venue: Zoom Webinar

- The discussion analysed India’s role in the evolving “China+1” supply-chain strategy within the context of changing global trade patterns. Prof. Karackattu began by situating the discussion within the broader transformation of global trade over the past quarter century. China has emerged as the world’s largest trading power, expanding its role as the primary trading partner for a large number of economies across Asia, Africa, and Latin America. By 2024, China’s total trade volume exceeded USD 6 trillion, surpassing that of the United States. This structural shift in global trade networks has significantly shaped supply-chain strategies, particularly as multinational corporations seek to balance efficiency, resilience, and geopolitical risk in their production networks.
- The “China+1” strategy refers to corporate efforts to diversify manufacturing and sourcing beyond China, while continuing operations there. The strategy originated in the late 2000s when Japanese firms began shifting low-end manufacturing out of China due to rising labour costs and regulatory concerns. It gained renewed momentum following the 2018 tariff escalation during the US–China Trade War and the disruptions caused by the COVID-19 pandemic. Prof. Karackattu emphasised that “China+1” does not imply abandoning China; rather, firms prefer maintaining production in China while expanding operations across multiple countries to reduce supply-chain risks.
- The benefits of the “China+1” strategy have been unevenly distributed across Asia. Economies such as Vietnam, Cambodia, and Bangladesh have been the principal

beneficiaries due to their strong integration into regional trade agreements and global value chains. Trade frameworks such as the Regional Comprehensive Economic Partnership (RCEP) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) have enabled these economies to access multiple export markets. In contrast, India has struggled to capture manufacturing relocation, partly because its export strengths, such as pharmaceuticals and machinery, do not align with the sectors relocating from China, particularly electronics and textiles.

- Prof. Karackattu identified several policy and institutional constraints that have hindered India's integration into global supply chains. Regulatory measures such as Press Note 3 (2020) restricted investments from countries sharing land borders with India, effectively limiting Chinese participation in supply-chain ecosystems. India's exit from the RCEP further reduced its connectivity with Asian production networks. Additionally, India's inverted tariff structure, where intermediate goods face higher tariffs than finished products, raises production costs and discourages multinational firms from establishing assembly operations in the country.
- The speaker highlighted several domestic structural challenges affecting India's competitiveness. While India possesses a large workforce, low female labour-force participation and skill gaps limit the effective supply of industrial labour. Process inefficiencies, such as slow contract enforcement and delays in obtaining regulatory approvals, increase operational uncertainty for investors. Logistics remains another challenge, as Indian freight transport remains heavily dependent on road networks, raising costs and transit times. Compared to integrated manufacturing hubs in Southeast Asia, Indian exporters face longer shipping times and higher inventory costs.
- Despite these challenges, the speaker identified potential opportunities for India within global value chains. Strategic sectors such as pharmaceuticals, auto components, and industrial machinery offer opportunities for India to build comparative advantages. Prof. Karackattu stressed the importance of investing in skill development, vocational training, and industrial upgrading. Strengthening connectivity with Southeast Asia through infrastructure initiatives and multimodal logistics integration could also help improve India's participation in regional supply

chains. Prof. Karackattu also suggested that India should adopt a pragmatic approach by exploring multiple supply-chain configurations, such as “China+1”, “Vietnam+1”, or broader regional partnerships, rather than focusing exclusively on a single framework.

- In his concluding remarks the Chair, Prof. Dhar, highlighted the strategic importance of regional trade frameworks and noted that India’s decision to not join the RCEP may have limited its integration into Asian supply chains. While India has expressed interest in diversifying exports beyond the United States, the Chair argued that the country must first address structural weaknesses in its trade performance. He emphasised that modern trade barriers increasingly arise from non-tariff measures, such as technical standards, environmental regulations, and supply-chain due diligence requirements.
- Prof. Dhar also underscored the importance of labour productivity and workforce skills, noting that low labour efficiency and shortcomings in skill-development initiatives continue to constrain India’s ability to attract investments and compete in technology-intensive global value chains.

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