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INDIA

Countering Chinese expansionism: India, Japan and Australia to form a trilateral plus supply chain

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SD Pradhan

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Recently when PM Modi announced in Ladakh while visiting Indian soldiers there during the current stand-off that 'the age of expansionism is over and this is the age of development', he had in mind a multi-pronged strategy involving not only taking a firm stand to protect the border but also taking suitable economic steps to reduce the dependence on China in association with other countries. It was a message to China that India was resetting

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its ties with that country in view of continued violation of agreements between the two countries.

As the first step, India decided to significantly reduce imports from China. On the 23rd July, India imposed restrictions on the public procurement from China and other countries having common border. In fact, this is meant mainly to curb the Chinese influence on the Indian economy. Economists have identified 40 sub-sectors, which can absorb imports from China significantly in short term. With the strategic intent, a well calibrated approach by government and industry can not only reduce the trade deficit with China but can turn India into an industrial hub and in starting the mission of 'make for the world.' India is working on inviting companies to India to start manufacturing from here.

A key step in this direction is the formation of a trilateral plus supply chain. India, Japan and Australia are discussing to establish the Supply Chain Resilience Initiative (SCRI) to reduce dependence on the Chinese supply line. While the consultations on this issue are taking place, plans are being worked out to involve ASEAN and South Korea as well. This reflects a change in the Indian approach. For long India had been avoiding joining any alliance that could be

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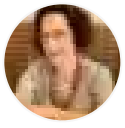
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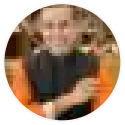
seen as anti-China group: however, now India has changed the policy that was based on appeasement. PM Modi had also hinted this on the Independence Day speech when he said that that the world is viewing as a possible hub for supply chains.

This supply chain would be an important part of 'Free and Open Indo-Pacific region'. Crucially this proposal originated from the business community that is worried over China's aggressive behaviour which can disrupt the normal functioning of the Chinese dominated supply line and ecosystem, though the proposal formally was made by the Japanese Ministry of Economy, Trade and Industry. Companies perceive that under the present circumstances, a non-Chinese dominated system would be safer. This supply chain would attract FDI and establish enduring ties among the partners.

This development is taking place in the backdrop of countries like Japan, Australia and US planning to move out their companies from China. Japan has instituted a $ 2 bn fund to help the Japanese companies in this context. US and Australia have entered into an agreement for China free supply chain for rare earth materials. India is taking steps to attract companies to start production in India. In March, India had approved



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Production Linked Incentive that offers incentives for production in India and to reduce imports of raw material from China for the production of crucial antibiotics, anti-HIV drugs, vitamins, and cardio medicines.

However, to make SCRI operational and effective requires support of all countries in the Indio-Pacific region and necessary changes in the system. There are significant challenges in this direction. India, which is aspiring to become the industrial hub for the world would have to ensure suitable changes in the system to make India as an attractive place for production. A modern infrastructure is the basic requirement. India must ensure creation of the best infrastructure for the companies linked to the world supply chain. Our cyber network needs to be strengthened to make India the safest place in the world to do business. Skill development to meet the requirements of the industries for the skilled labour force is critical. Changes in the labour laws, taxation and land clearances are needed to attract companies to do business in India.

In essence, India has to act urgently to create an environment that is favourable to global manufacturing to take advantage of the developments. With a favourable ecosystem comprising a

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cluster of buyers and sellers, technology, reliable supply line supported by partners and highly trained and skilled manpower; India can emerge as the next global manufacturing hub. A few steps have been taken, yet a lot more needs to be done to achieve the objective of turning India into a global industrial hub.

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Indian development and thwarting expansionism are two different agendas. The two agendas overlap where economic aspects are in contention with China. There are also vast domains wh ...

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