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Climbing High: India's role in rewriting global supply chains

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India entered 2025 maintaining its status as one of the world's few high-growth economies, but when one peers beneath this encouraging data, the outlook is one of resilience and restraint. While government spending continues to drive infrastructure expansion and consumer demand remains steady, the momentum in private sector investment has not kept pace. According to a recent Reuters poll, corporate capital expenditure remains subdued, a trend that has refused to shift for more than a decade, damping employment growth and raising concerns about long-term productivity.

The Reserve Bank of India, balancing inflationary pressures with the need to stimulate investment, is expected to initiate rate cuts later this year. With consumer inflation forecast to average 4.0%, easing from prior highs, policy flexibility may improve. However, global headwinds from rising protectionism to geopolitical uncertainty could constrain export growth and capital flows if not checked.

At the same time, India's fiscal discipline, underscored in the 2025 Union Budget, reflects an effort to maintain investor confidence amid all the volatility. This balancing act, stimulating domestic growth while preserving macroeconomic stability, is central to India's strategy as it seeks to attract foreign investment and cement its position as a manufacturing and services alternative to China.

Capitalising on the US-China trade realignment

There is little doubt that India is emerging as a preferred destination for multinational firms seeking to alternate their supply chains amid prolonged disagreement between Washington and Beijing.

The strategic push for a China Plus One model has catalysed investment flows into India, where favourable demographics, competitive labour costs and improving infrastructure are aligning with geopolitical necessity.

Electronics manufacturing is a case in point. Global brands such as Apple are now producing a growing share of their iPhones in India - boldly claiming to have all phones manufactured there by 2026 - leveraging the government's Production-Linked Incentive (PLI) schemes to establish a foothold outside China. This shift is not confined to consumer tech because semiconductors, auto components and pharmaceuticals are also drawing executive level attention from firms re-evaluating operational risk in East Asia.

Yet, this transition is not without complication. India's trade deficit with China has ballooned to US$99.2 billion, highlighting a reliance on Chinese imports for raw materials and intermediate goods even with finished product assembly migrating locally. This interdependence somewhat questions India's ambition to become a fully self-reliant manufacturing hub. Clearly, China cannot be cut out of the supply chain completely.

Strengthening strategic alliances: the QUAD and beyond

India's strategic posture has been reinforced by a closer alignment with democratic partners in the Indo-Pacific, particularly through its active role in the Quadrilateral Security Dialogue (Quad). As tensions rise across the Taiwan Strait and South China Sea, India's engagement with the US, Japan and Australia has evolved from symbolic alignment to a more practical collaboration, most notably in maritime claim awareness, critical infrastructure and technology initiatives.

Recent summits have focused on initiating joint efforts, with India pushing for greater digital and supply chain security co-operation within the Quad framework. This co-ordination is not only a political beacon but a practical solution for multinational firms seeking predictability in regional security and policy.

Beyond the Quad, bilateral ties with the US and Japan are deepening. Washington and New Delhi are working toward doubling trade volumes to US$500 billion by the end of the decade, supported by renewed defence collaboration and strategic technology transfers. Meanwhile, India and Japan have revived their 2+2 ministerial dialogues, aligning on defence, cybersecurity and supply chains.

Driving foreign investment in key sectors

India's appeal as an investment destination is tied increasingly to its ability to channel foreign capital into high-impact sectors that align with global strategic priorities, chief among them semiconductors, renewable energy and infrastructure.

In the semiconductor space, the government has made a concerted push to attract global players by offering capital subsidies, tax incentives and streamlined approvals. The 2025 Union Budget earmarked substantial funding to support fabrication plants, assembly units and research. With India expected to produce its first domestically made chip this year, the momentum has shifted from ambition to implementation. For multinationals, this presents a window to engage early in a market that is laying the groundwork for supply chain resilience beyond East Asia.

Equally notable is India's renewable energy efforts. The government has enabled 100% FDI in the sector and set a target of 500 GW in non-fossil fuel capacity by 2030. Backed by record global investments in solar and wind capacity, India is positioning itself as a global clean energy hub.

Infrastructure continues to be the backbone of India's investment sales pitch. Initiatives such as the India-Middle East-Europe Economic Corridor aim to modernise trade routes and logistics frameworks, enhancing regional connectivity and reducing dependency on contested chokepoints. For investors, these sectors offer long-term growth prospects aligned with both commercial and geopolitical objectives.

Anticipating major trade deals and investment announcements

Over the next six months, India is primed to capitalise on a wave of trade and investment activity that could further elevate its role in global commerce. High on the agenda is the finalisation of a bilateral trade agreement with the US, designed to address tariff-related frictions and expand market access for both sides. With foundational terms already agreed on, the deal is expected to open new doors for US companies in sectors such as digital services and manufacturing.

At the same time, India is advancing negotiations on a series of free trade agreements (FTAs) with major partners. Talks with the United Kingdom are nearing conclusion, with 90% of terms reportedly settled. Efforts are also accelerating with the European Union and Canada, with focus areas including data flows, digital trade and sustainable development.

Beyond traditional trade pacts, India's aviation sector offers another case of geopolitical change. As Chinese carriers abandon US-built aircraft in response to trade tensions, Air India is reportedly exploring opportunities to acquire these jets, signalling an ability to move quickly by leveraging global dislocations for strategic gain.

Conclusion

India's strategic ascent is no longer a projection, it is materialising across trade corridors, boardrooms and diplomatic platforms. For multinational corporations updating global operations in response to geopolitical instability, India offers a timely counterweight to China. While challenges remain, from infrastructure constraints to supply chain dependencies, the momentum is clear. India is proactively reshaping its investment climate, forging resilient alliances and positioning itself as the centre of Indo-Pacific commerce.

The next phase will hinge on execution. Companies that move early to localise production, engage with policymakers and embed themselves in India's growth sectors (particularly semiconductors, renewables and logistics) stand to secure long-term strategic advantage. Likewise, active monitoring of India's evolving regulatory environment and upcoming trade agreements will be essential to maximising market access and managing risk.

In this era of shifting global supply chains and fractured alliances, India is not merely benefiting from realignment, it is helping to shape it. For business leaders seeking both resilience and opportunity, India warrants your attention.