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Spotlight

December 2025

on things that matter

INDIA IN A FRACTURED WORLD

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The very bad policy of one country may thus render it in some measure dangerous and imprudent to establish what would otherwise be the best policy in another.

—Adam Smith,
The Wealth of Nations

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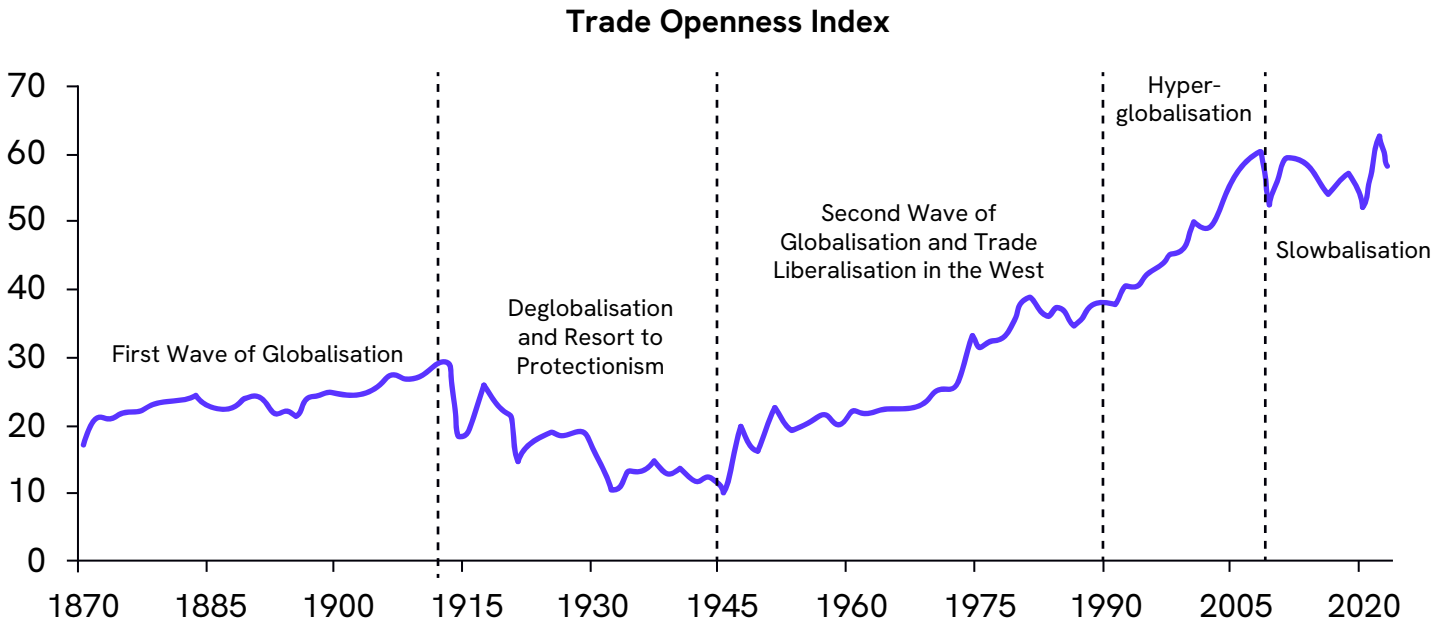
Chapter 1:

The Rise and Retreat of Globalisation

What Are the Key Phases in the History of Globalisation?



Note: Data from 1870-1949: Klasing and Milionis (2014), 1950-1969: Penn World Table and 1970-2023: World Bank
The Trade Openness Index is defined as the sum of world exports and imports, divided by world GDP
Source: Klasing and Milionis (2014), Penn World Table, World Bank, Our World in Data, 360 ONE Asset Research

Globalisation has progressed in waves, shaped by industrial, political, and technological shifts.

The first significant wave began in the mid-19th century and lasted until 1914, propelled by the Industrial Revolution. Innovations such as steamships and the telegraph reduced trade costs and facilitated cross-border flows of goods, capital, and people.

This wave reversed between 1914 and 1945, as the two World Wars and the Great Depression disrupted global trade while protectionist policies increased.

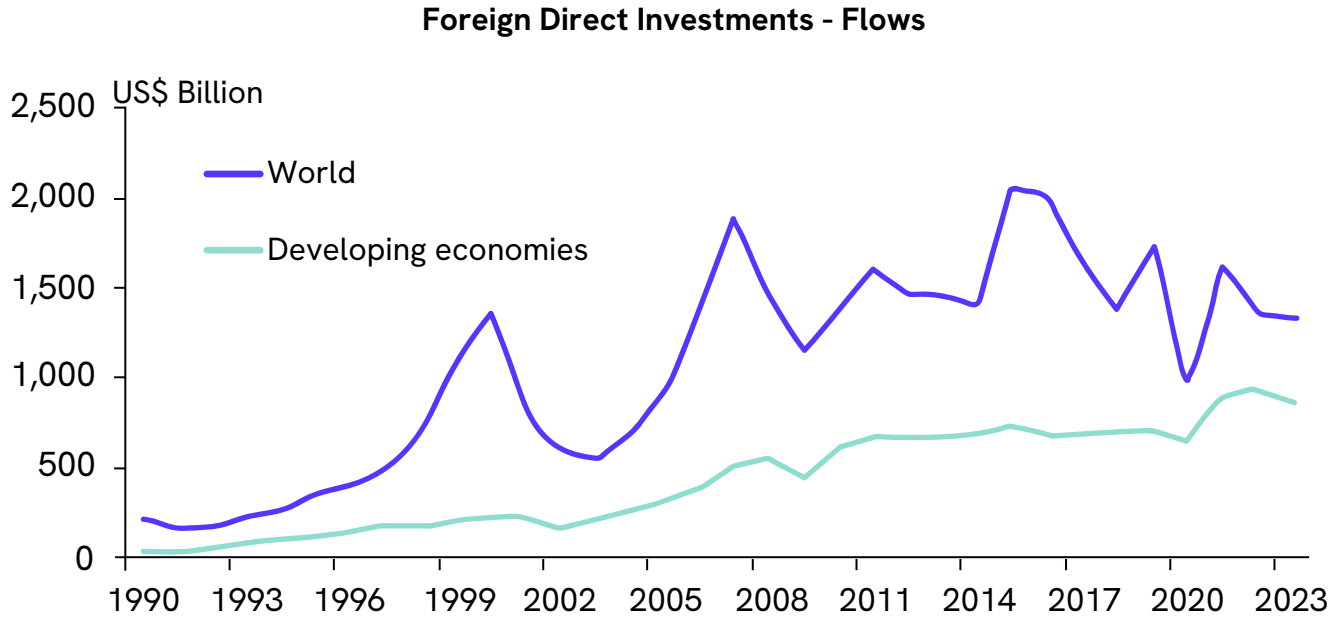
From 1945 to the 1990s, liberal trade policies, post-war reconstruction, and institutions like the IMF and GATT drove global reintegration.

A new phase of hyper-globalisation emerged from the 1990s to 2008, driven by China's integration into the global economy and the rapid spread of digital technologies.

Since 2008, a series of shocks such as the global financial crisis, the pandemic, and rising geopolitical tensions have exposed the vulnerabilities of globalisation-led interdependence.

Many countries are now re-evaluating supply chain dependencies and prioritising resilience, signalling a potential slowdown in globalisation (slowbalisation) or a shift towards de-globalisation, wherein nations actively reduce mutual interdependence.

What Role Does Foreign Direct Investment Play in Globalisation?



Source: UNCTAD, 360 ONE Asset Research

Foreign Direct Investment (FDI) has been central to the globalisation process, enabling the transfer of capital, technology, and production know-how across borders.

Since the 1990s, FDI inflows have supported offshoring production to lower-cost locations, allowing firms to exploit labour and raw material cost advantages. This also allowed firms to specialise, scale operations, and improve efficiency.

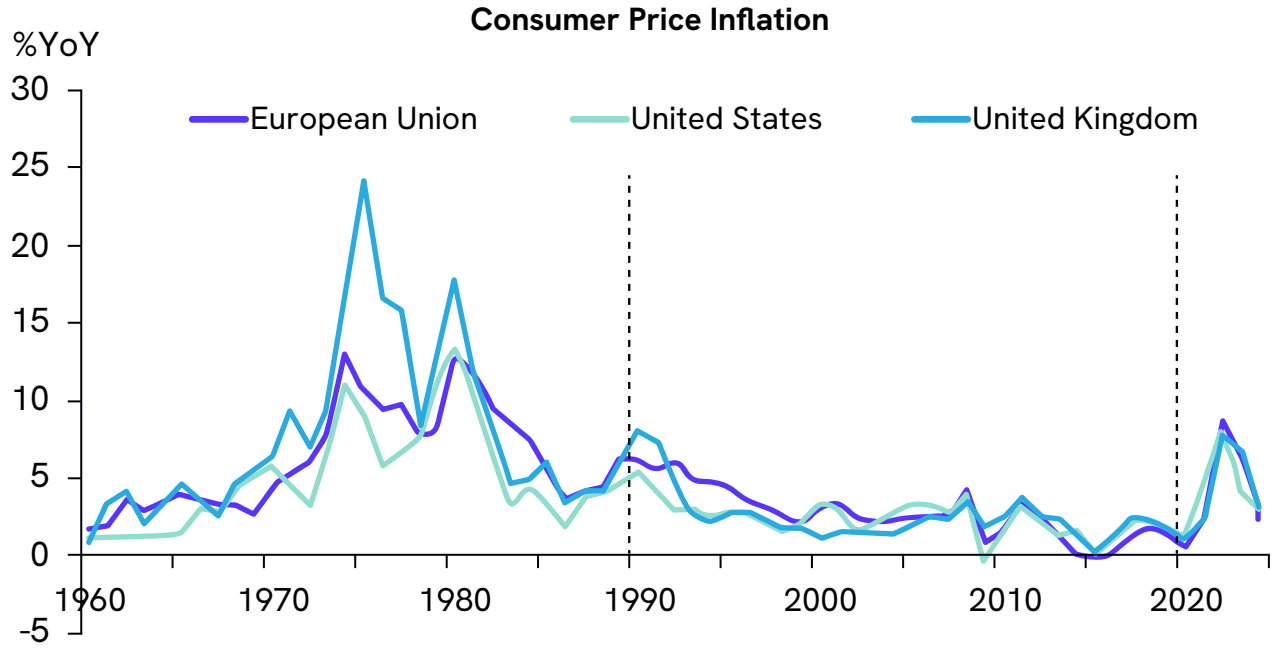
FDI has also opened new export markets for many developing countries, further reinforcing specialisation and the pursuit of economies of scale.

Lower prices driven by efficiency gains benefited consumers and encouraged countries to import goods they are less competitive at producing, strengthening global interdependence.

However, FDI flows are increasingly coming under pressure. Global inflows appear to have peaked in 2014. While investments into developing economies have so far remained relatively stable, the broader trend points to heightened caution and a shift in cross-border investment strategies.

As the deglobalisation trend gathers momentum, even developing markets may begin to experience a decline in FDI inflows.

How Have Developed Markets Benefited from Globalisation?



Source: World Bank, 360 ONE Asset Research

Globalisation has had a profound disinflationary impact on developed markets, particularly since the 1990s.

Offshoring of manufacturing and expanding global supply chains increased production efficiency and reduced costs.

As production shifted to lower-cost countries, especially in Asia, advanced economies gained access to cheaper consumer goods. It also lowered input costs for firms in developed markets.

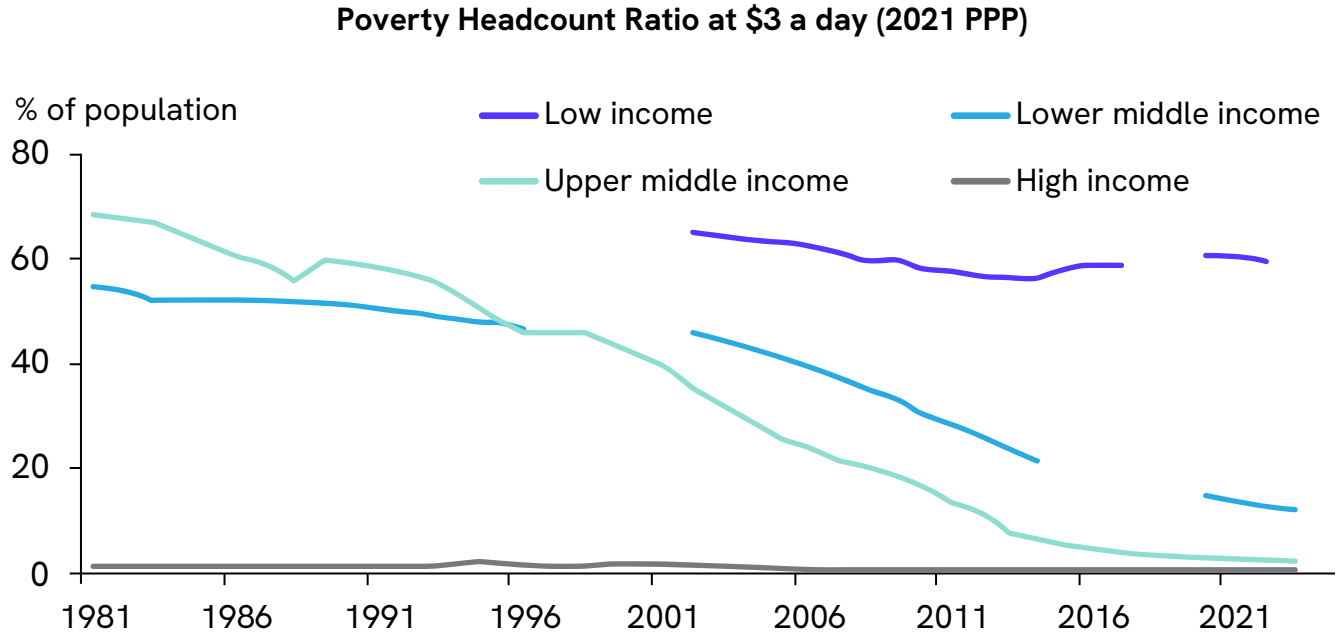
Consumers benefited from a wider array of affordable products, supporting consumption and economic growth.

In addition to cost advantages, globalisation fostered greater competition. Domestic producers faced pressure to reduce prices and improve productivity in response to international competition.

Together, these forces weakened the traditional link between domestic economic conditions and inflation, helping central banks maintain price stability even during extended periods of monetary accommodation.

However, recent geopolitical tensions and supply chain disruptions are challenging these dynamics, prompting a reassessment of the long-assumed disinflationary benefits of global integration.

How Have Emerging Markets Benefited from Globalisation?



Note: The World Bank classifies economies by GNI per capita as: low-income (≤$1,135), lower-middle ($1,136–$4,495), upper-middle ($4,496–$13,935), and high-income (>$13,935).
Source: World Bank, 360 ONE Asset Research

The period of hyper-globalisation coincided with a significant reduction in poverty across many emerging markets.

As countries opened up to trade and investment, export-led growth strategies generated millions of jobs, drawing workers from rural and informal sectors into more stable employment.

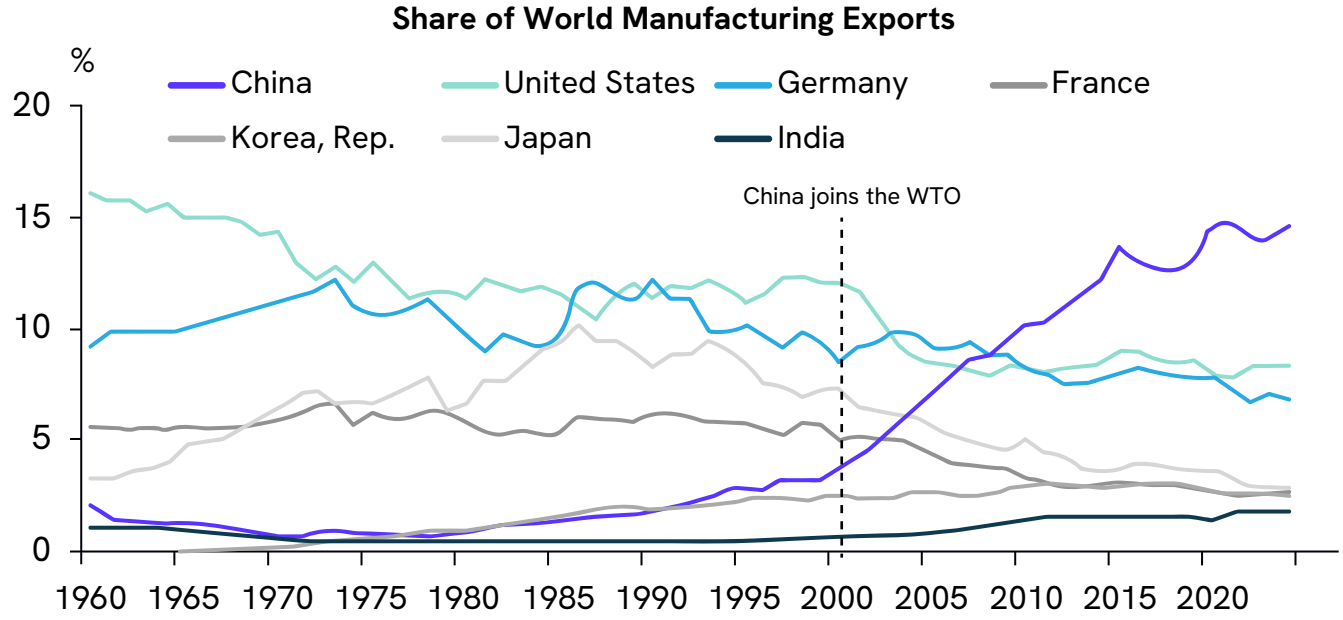
This shift was particularly beneficial to lower-middle and upper-middle income countries, which saw improvements in both wages and access to opportunities.

Countries like China, India, and Vietnam experienced dramatic declines in extreme poverty, primarily driven by integration into global supply chains and rising demand for labour.

However, the benefits of globalisation for low-income countries have been more limited, and they continue to face persistently high poverty rates.

With the current shift towards deglobalisation, many of these countries risk missing out on the opportunity to fully benefit from global economic integration.

What Role Did China Play in the Globalisation Process?



Source: World Bank, 360 ONE Asset Research

China's rise as a global manufacturing hub accelerated after the 1990s, driven by two transformative shifts: the emergence of global value chains and China's accession to the World Trade Organisation (WTO).

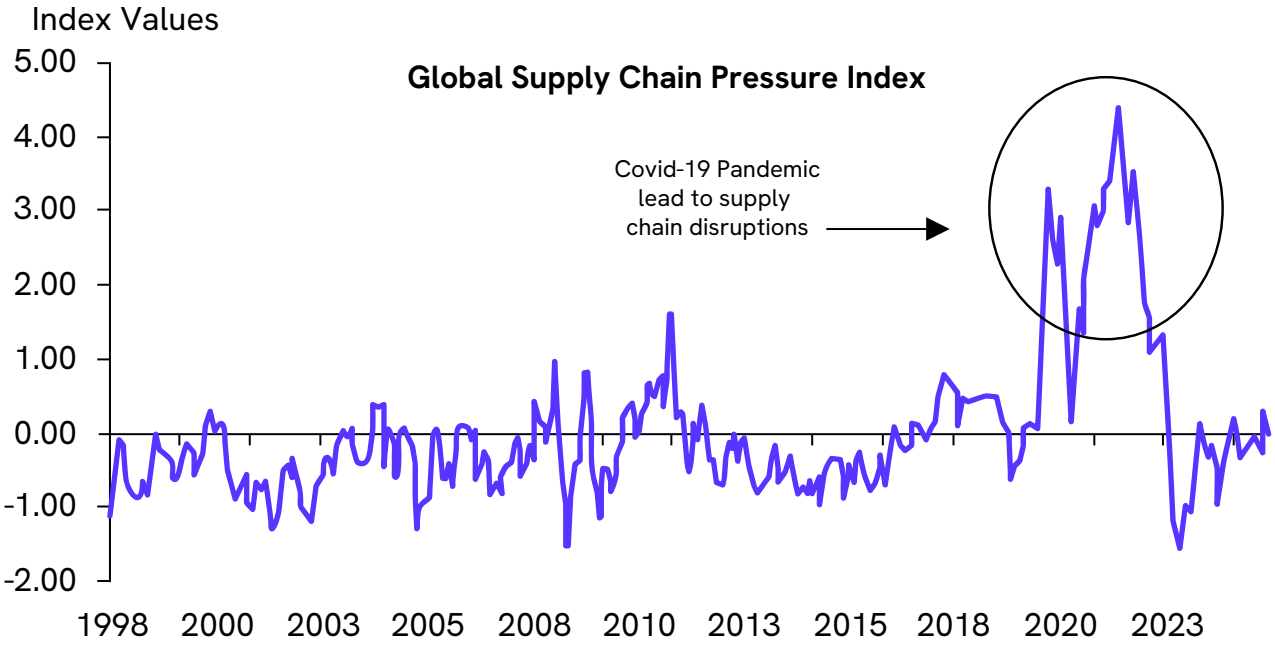
The Digital Revolution of the 1980s, marked by the widespread adoption of information and communication technologies, made it easier for companies to manage cross-border operations. This allowed firms to fragment production and locate different stages in countries offering cost or efficiency advantages, forming global value chains.

China's low labour costs, strong state-backed industrial policies, and modernising infrastructure positioned it well to benefit from expanding global value chains.

Its entry into the WTO in 2001 further amplified these advantages as the WTO offered a rule-based framework for international trade. As a result, China rapidly emerged as the world's manufacturing powerhouse.

However, the expansion of industrialisation in China has coincided with deindustrialisation across developed economies.

What Are the Key Catalysts of Deglobalisation? (I)



Source: New York Fed Economic Research, 360 ONE Asset Research

The COVID-19 pandemic triggered modern history's most severe and widespread disruption to global supply chains.

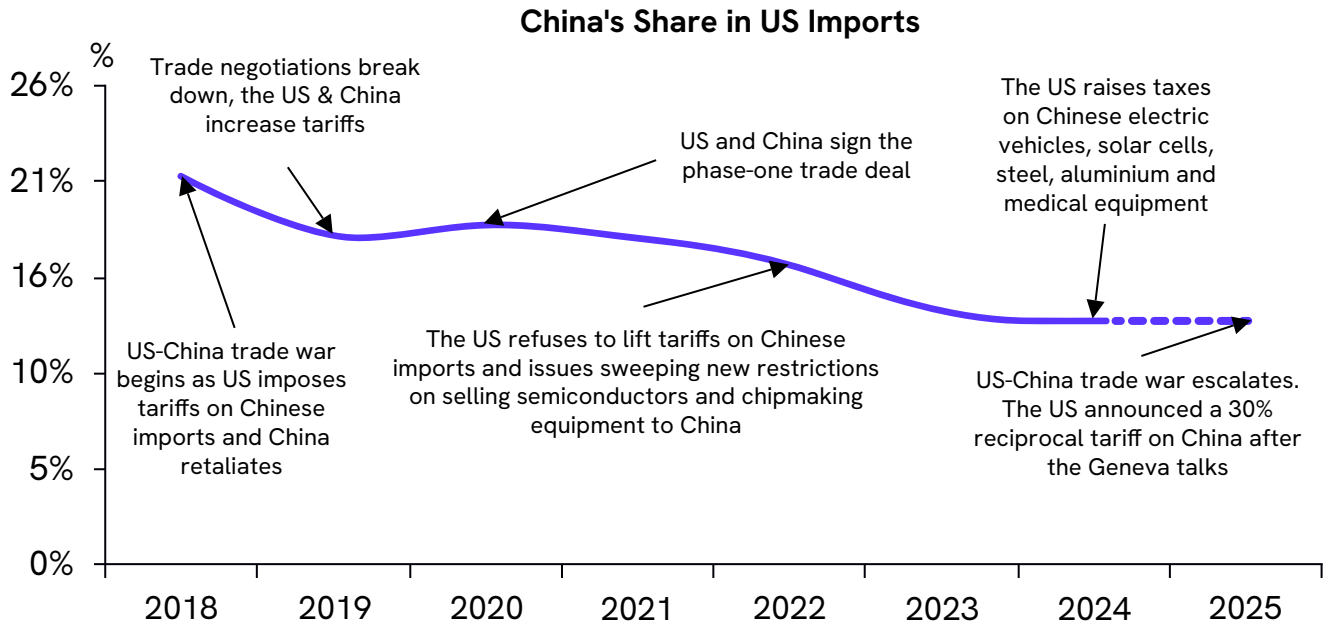
It exposed the vulnerabilities of deeply interconnected production systems that had prioritised efficiency over resilience.

As factories shut down, ports closed, and logistics networks stalled, businesses and governments worldwide were forced to confront their dependence on complex cross-border supply chains - particularly for critical goods like medical equipment, pharmaceuticals, and semiconductors.

This unprecedented shock has acted as a significant catalyst for deglobalisation, accelerating a global rethink around the risks of over-reliance on distant suppliers.

In response, many countries have adopted strategies such as reshoring, nearshoring, and diversifying supply sources, marking a clear departure from the integration of supply chains seen in previous decades.

What Are the Key Catalysts of Deglobalisation? (II)



Source: US Census, FRED, News Reports, 360 ONE Asset Research

The US-China trade war has emerged as a significant catalyst for deglobalisation, marking a decisive shift away from decades of deepening economic integration between the two largest economies.

The imposition of tariffs and retaliatory measures has disrupted global supply chains, compelling multinational firms to reassess their dependence on China as a manufacturing hub.

Rather than prioritising cost-efficiency, many companies began relocating parts of their production to countries like Vietnam, Mexico, and India to mitigate geopolitical risks and tariff exposure.

As a result, China's share in US imports has steadily declined, reflecting a broader strategic decoupling.

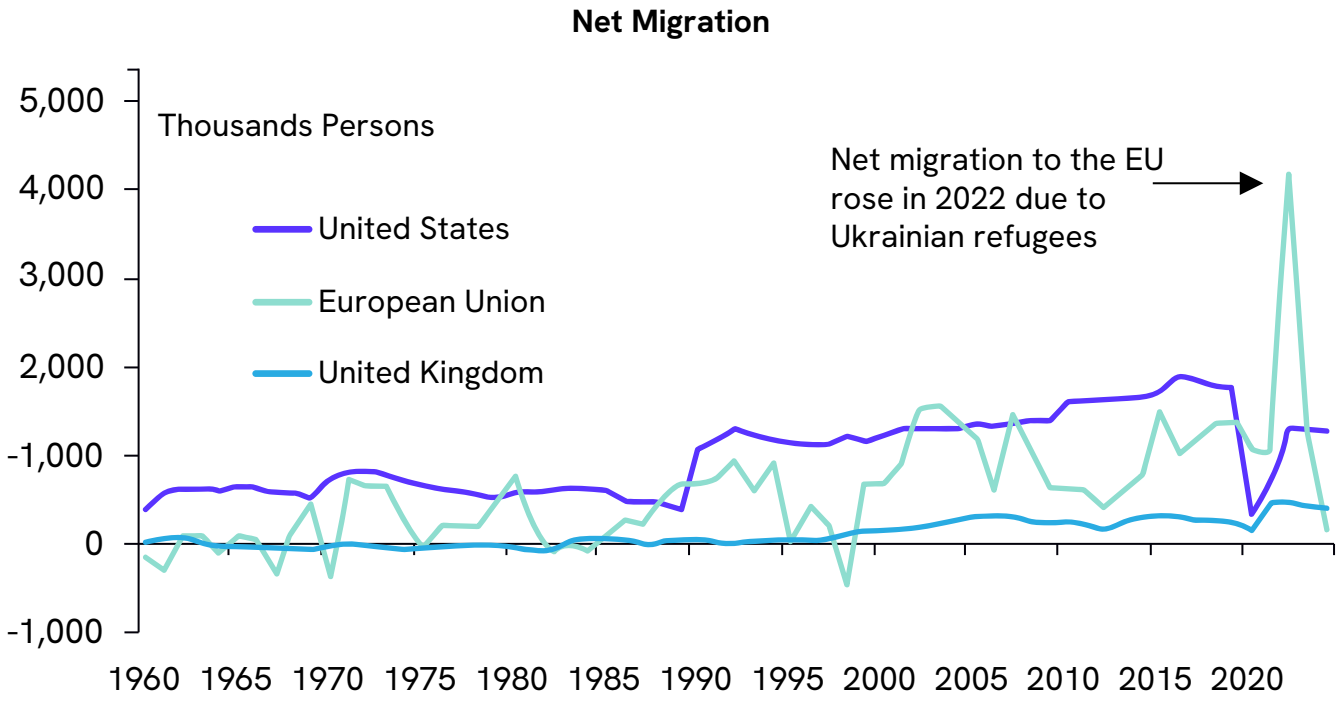
Beyond trade flows, the conflict eroded trust in the multilateral trading system. Institutions like the World Trade Organisation (WTO) were increasingly bypassed, as unilateral actions and bilateral negotiations became the preferred trade policy tools.

The trade war accelerated the global retreat from trade liberalisation, reinforcing a shift towards protectionism, regionalisation, and economic fragmentation.

Chapter 2:

The Fault Lines of Globalisation

How Central Is Migration to the Unravelling of Globalisation?



Source: World Bank, 360 ONE Asset Research

Globalisation played an essential role in shaping international migration by linking economies more closely and facilitating the cross-border movement of people.

At the same time, liberal visa regimes and frameworks such as the European Union's free movement of people created institutional pathways that enabled millions to migrate for work to fill skill shortages and pursue better economic opportunities.

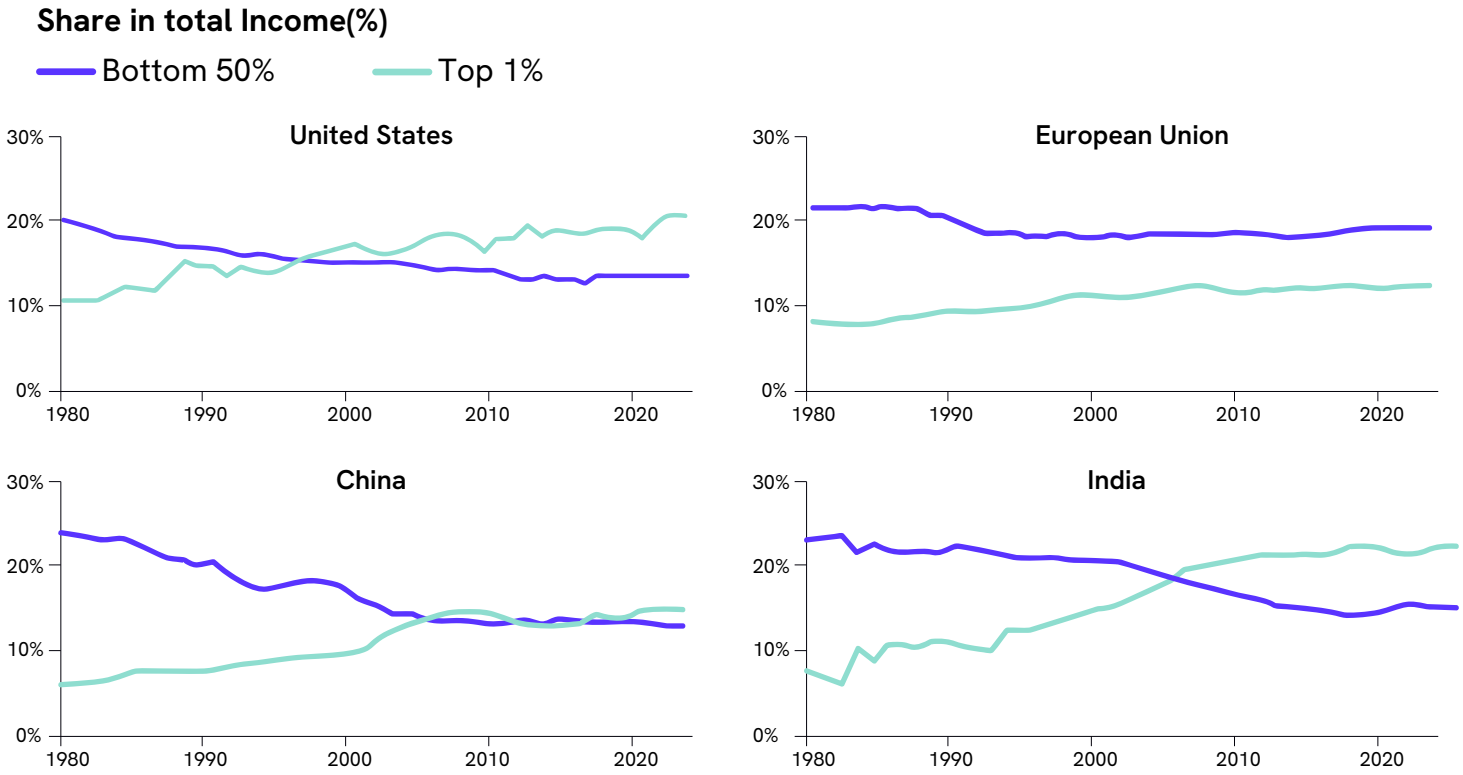
Today, deglobalising pressures are reshaping this pattern. A turning point came with the 2016 Brexit referendum, where immigration and national sovereignty were central issues. One direct outcome was the end of free movement for EU citizens into the UK.

The UK's 2025 Plan for Change tightens immigration rules by raising English language and settlement requirements while increasing salary thresholds, aiming to cut net migration by about 100,000 annually by 2029.

Across the EU, anti-immigration parties have gained ground, influencing policies like the Pact on Migration and Asylum, which imposes stricter rules on asylum seekers and is set for full implementation by 2026.

The most sweeping crackdown is underway in the US, where recent policies have expanded visa restrictions, targeted birthright citizenship, and pushed deportation targets to one million annually.

What Role Does Inequality Play in the Retreat from Globalisation?



Source: World Inequality Database, 360 ONE Asset Research

Globalisation has helped reduce income disparities between countries, particularly as emerging economies integrated into global trade. However, it has often exacerbated inequality within nations.

In developed economies, the offshoring of manufacturing led to job losses and wage stagnation for lower-skilled workers.

As large segments of the population in advanced economies felt left behind, resentment grew toward the forces seen as driving these changes.

In many developing countries, while economic growth accelerated, income gains were concentrated among the top earners.

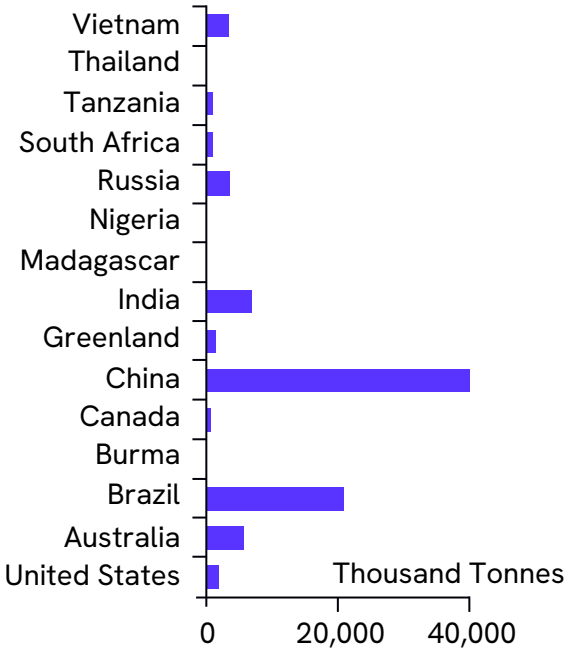
In effect, globalisation created winners and losers within countries, even as it narrowed the gap between them.

Rising inequality within nations played a central role in fuelling the backlash against globalisation.

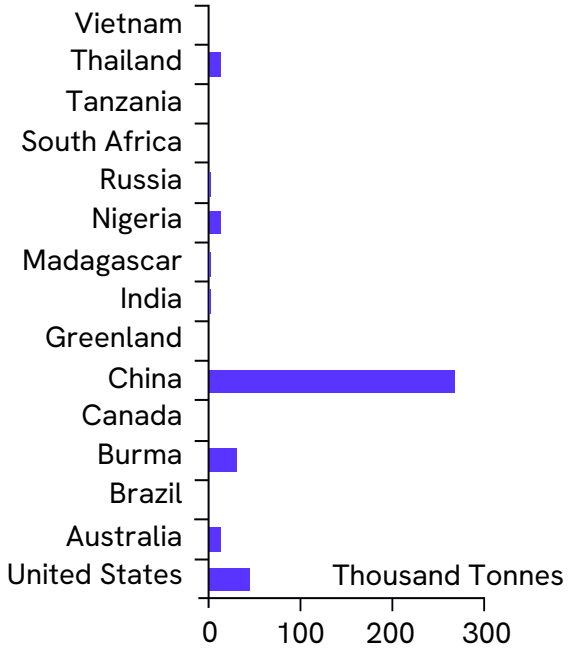
This discontent has given rise to political movements that challenge open trade, immigration, and global institutions, paving the way for protectionism and economic nationalism.

Case Study 2.1a: Are Supply Chains Too Concentrated?

Rare Earth Mineral Reserves



Rare Earth Mine Production



Source: United States Geological Survey, 360 ONE Asset Research; Note: Data as of 2024

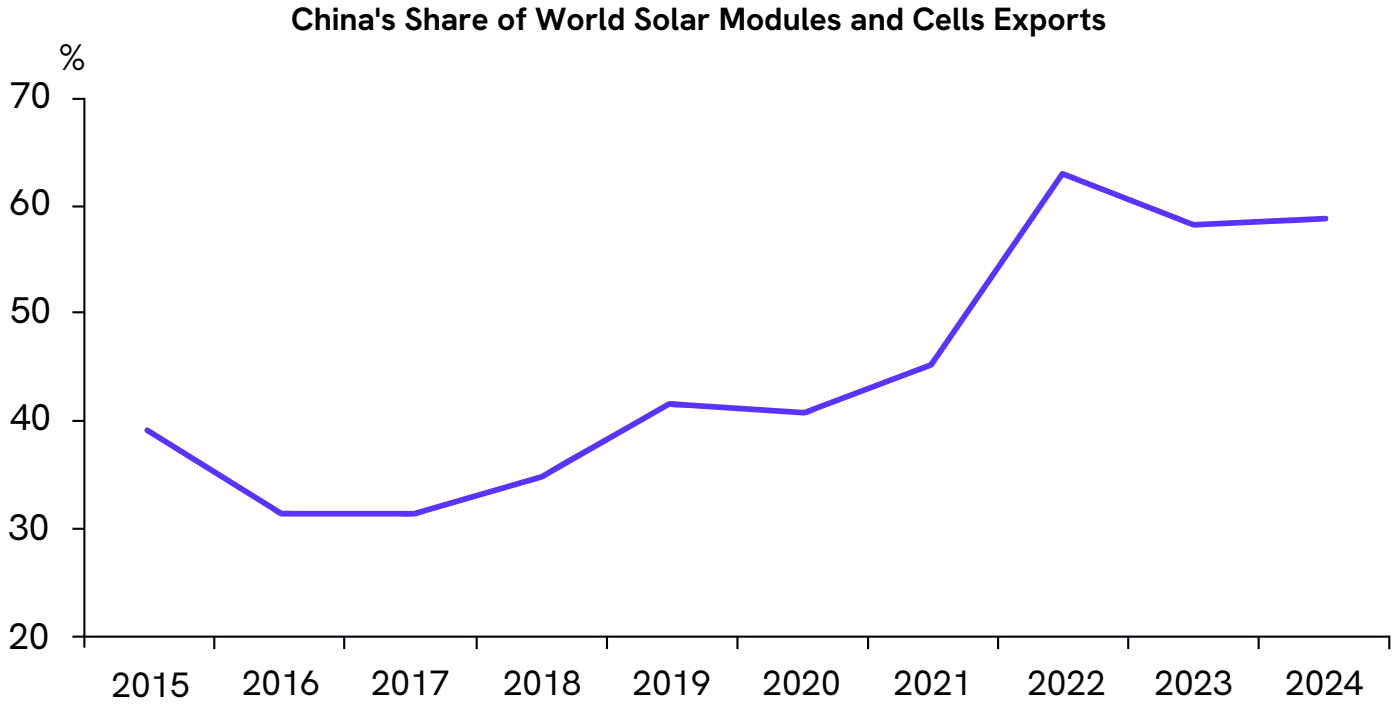
Rare Earth Elements (REEs) are a group of 17 metals essential to technologies like defence systems, renewable energy, and electric vehicles. Though not geologically rare, they are complex and hazardous to extract and process.

China currently produces 61% of the world's mined REEs and controls 92% of global processing capacity, according to the International Energy Agency (IEA). This dominance stems from early state investments and historically lax environmental standards.

Beijing has increasingly leveraged its position by imposing export restrictions on certain REE materials, highlighting the strategic vulne ability of global supply chains.

As a result, many countries view overdependence on China as a national security risk and are working to diversify supply and processing capabilities.

Case Study 2.1b: Are Supply Chains Too Concentrated?



Source: ITC Trade Map, 360 ONE Asset Research

Global net-zero emissions targets hinge heavily on the deployment of solar photovoltaic (PV) systems, with solar expected to account for nearly 80% of the growth in global renewable capacity by 2030, according to the IEA.

A combination of rapid innovation, sustained investment, and economies of scale, particularly in China, has driven down the cost of solar PV, making it one of the most affordable sources of electricity globally.

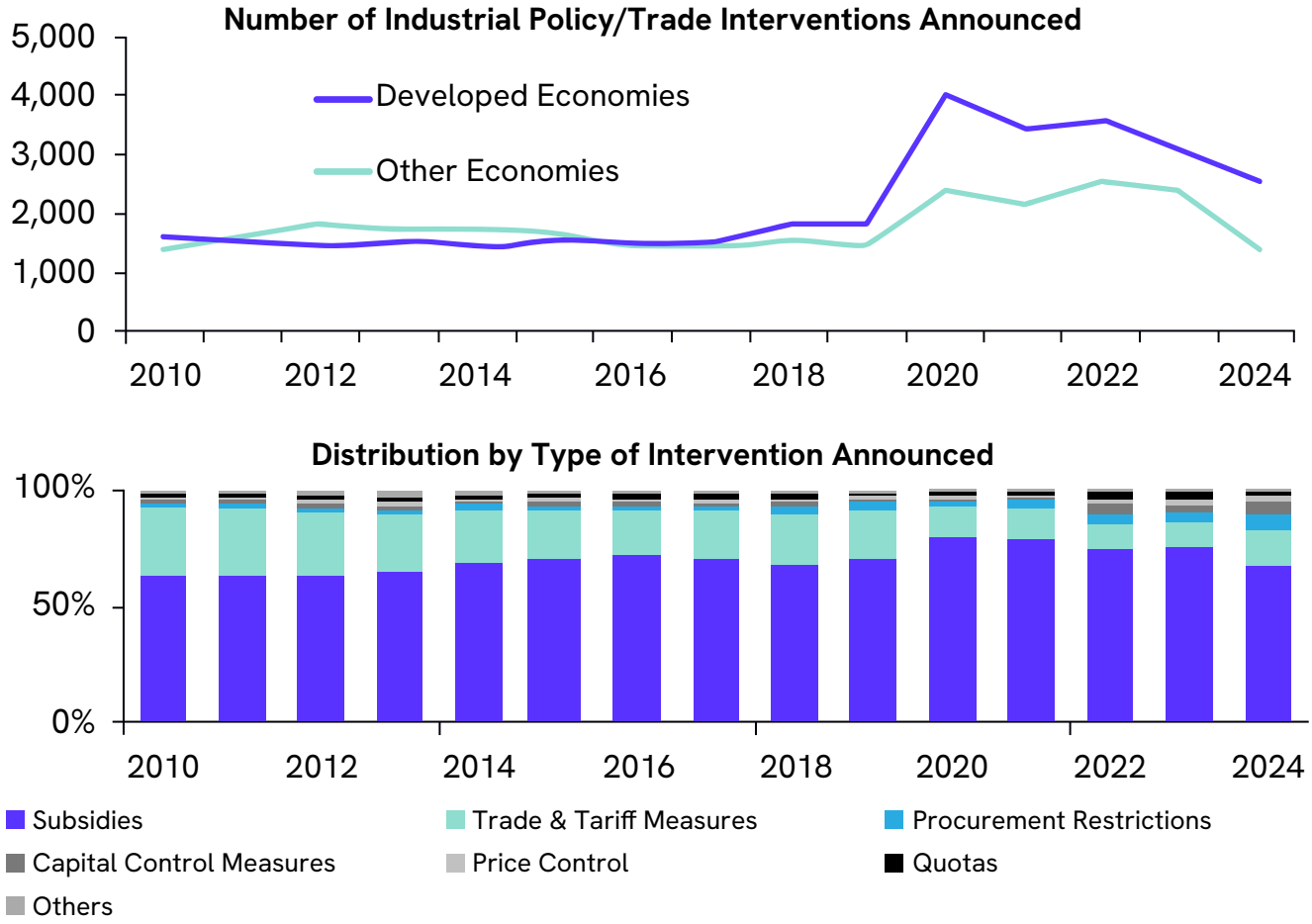
China now holds over 80% of global manufacturing capacity across all key stages of the solar PV supply chain, including polysilicon, ingots, wafers, cells, and modules.

This growing global dependence on China is increasingly seen as a strategic vulnerability.

While many countries are racing to diversify and establish their own solar manufacturing capabilities, China's significant cost advantage makes it difficult for new players to compete without substantial government support.

In response, several governments have introduced trade and non-trade barriers, alongside targeted industrial policies, to promote domestic production while reducing reliance on Chinese supply chains.

Has There Been a Rise in Interventionist Industrial Policies?



Note: The term 'Developed economies' denotes OECD countries
Source: Global Trade Alert, 360 ONE Asset Research

Interventionist industrial policies have risen substantially in recent years, as countries seek to onshore critical production and strengthen domestic manufacturing.

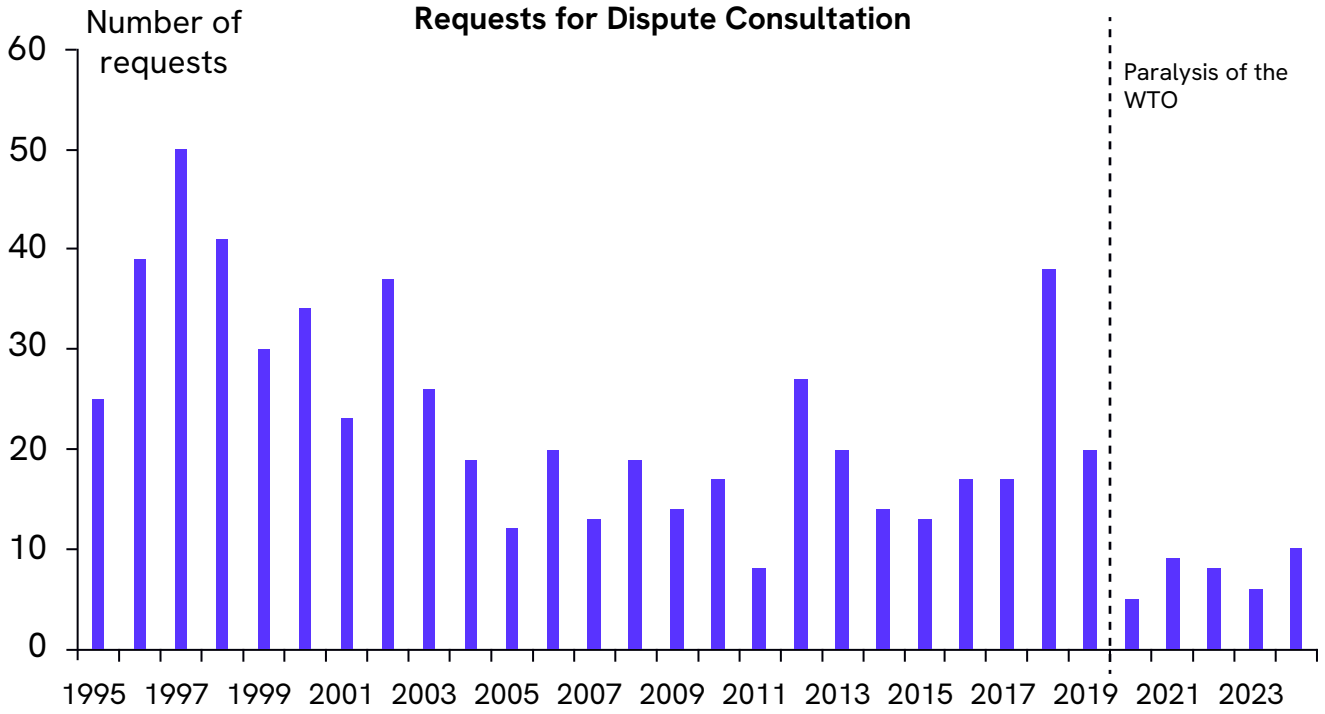
This surge in policy announcements has been more pronounced in developed economies, though emerging markets have also seen a notable uptick.

The race to safeguard strategic sectors, such as semiconductors, green energy, and defence, has triggered a wave of industrial policy measures.

Governments have primarily relied on increased subsidies to drive domestic production, in contrast to the disproportionate attention trade and tariff measures tend to receive.

As more countries adopt such measures, global trade will likely face mounting pressures.

How Is the WTO Defending Free Trade Against New Challenges?



Source: WTO, 360 ONE Asset Research

The Appellate Body is a vital component of the WTO's dispute settlement mechanism: it reviews panel decisions and may uphold, reverse, or modify them before they can be adopted by the Dispute Settlement Body (DSB) and become binding.

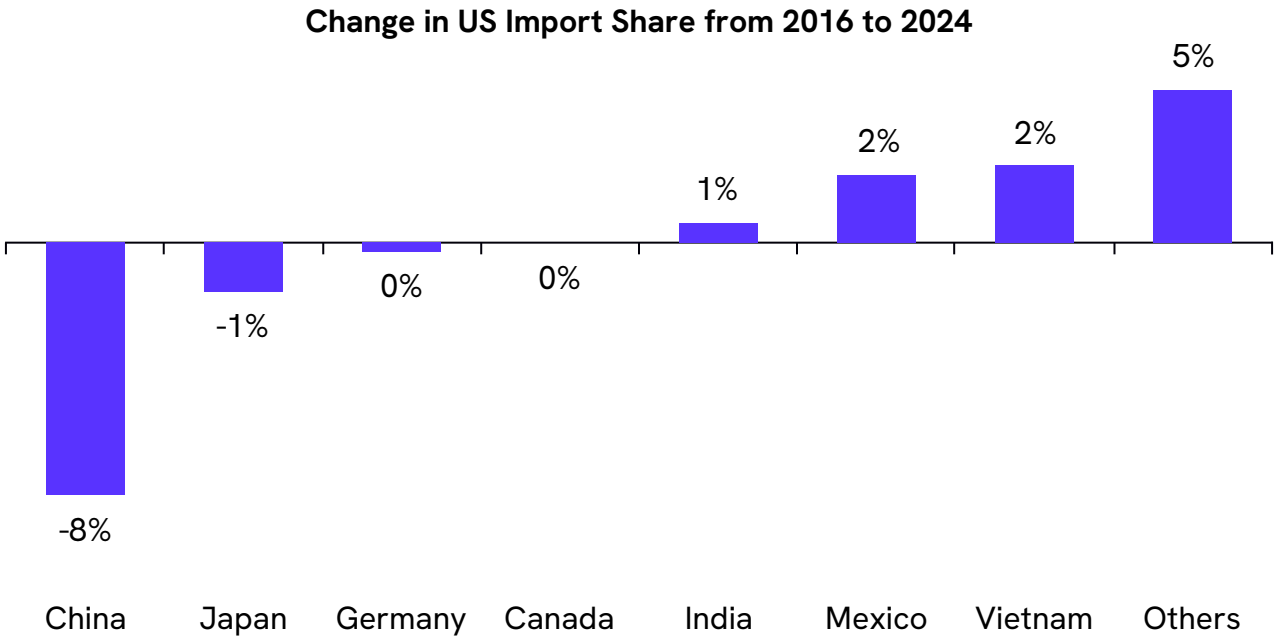
Since December 2019, the WTO's Appellate Body has been effectively paralysed, because it no longer has the minimum three-member quorum required to hear appeals.

Beginning in 2016, the United States began blocking reappointments and nominations to the Appellate Body. By late 2019, these refusals caused the body to lack sufficient members to function.

This has significantly weakened the enforcement capacity of the WTO dispute settlement.

This breakdown has undermined the WTO's system of checks and balances designed to enforce rules-based global trade.

How Are Global Supply Chains Being Restructured?



Source: UN Comtrade, 360 ONE Asset Research

There has been a noticeable rise in onshoring, friendshoring, and nearshoring as countries seek to make their supply chains more resilient and less concentrated.

This involves relocating production domestically or to geographically closer countries and politically aligned with the importing nation.

For example, the United States has significantly reduced its dependence on Chinese imports. Since 2016, China's share in total US imports has declined by 8%.

In 2023, Mexico surpassed China to become the largest source of U.S. imports, while Vietnam has also expanded its export share to the US.

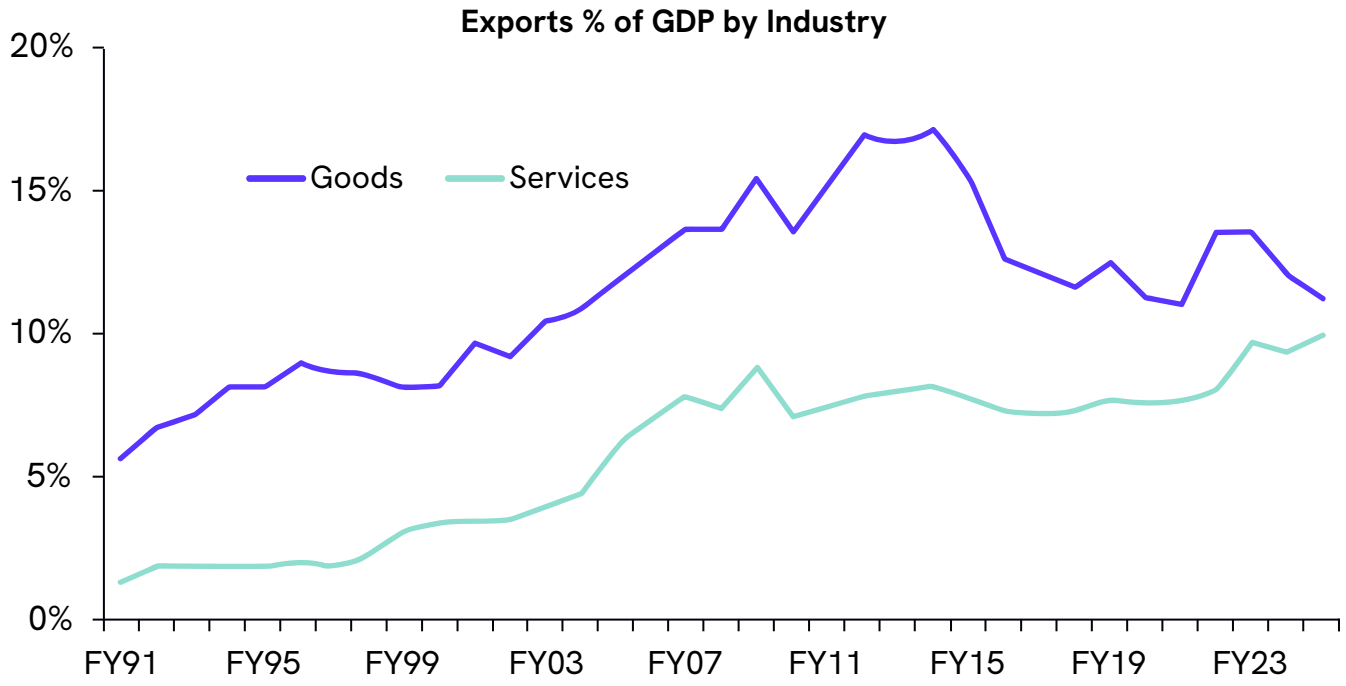
However, a complete decoupling from China remains highly complex due to the deep integration of Chinese components across global supply chains.

Moreover, many Chinese firms have established production facilities in Southeast Asia and Latin America, making it difficult to exclude Chinese influence from American supply chains entirely.

Chapter 3:

India in a Shifting Global Order

How Has India Benefited from Globalisation?



Source: RBI, CMIE, 360 ONE Asset Research

India has derived significant benefits from globalisation.

The country's liberalisation reforms in the early 1990s coincided with the phase of hyper-globalisation, enabling India to integrate deeply into the global economy. Before this, India's inward-looking trade policies had constrained its ability to benefit from increasing global integration.

India's gains from globalisation extended well beyond manufacturing. The services sector witnessed rapid expansion, driven by the rise of business process outsourcing (BPO) and the country's growing role as a global hub for IT and IT-enabled services.

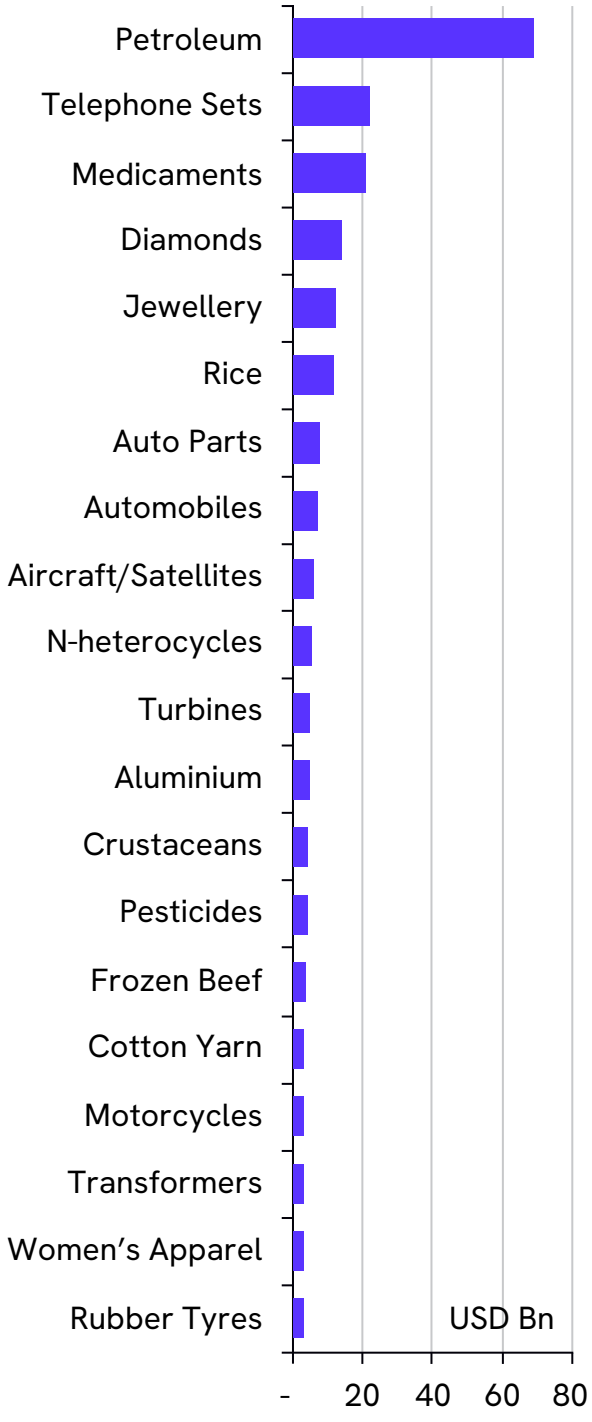
Labour cost advantages and a large pool of university-educated, English-speaking professionals enhanced India's global competitiveness.

The highly skilled workforce aligned well with the global technology boom, facilitating cross-border communication and collaboration.

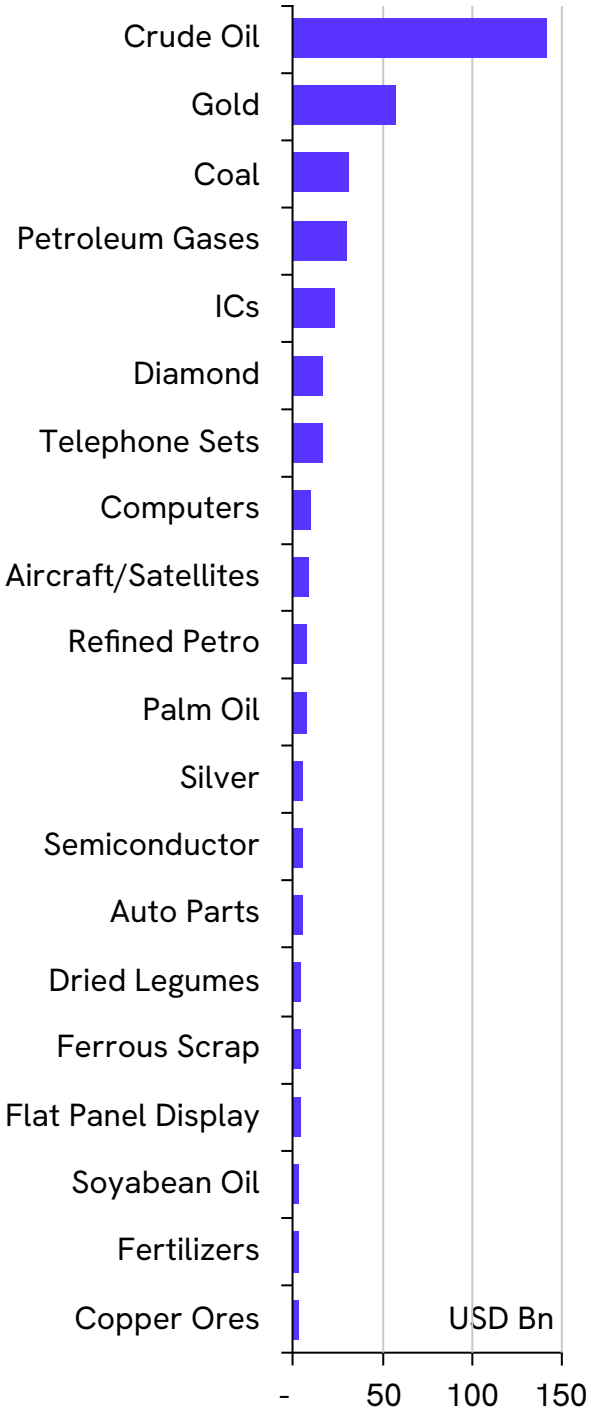
However, India did not leverage export-driven manufacturing to the same extent as other Asian economies such as China, Japan, South Korea, Taiwan, and Vietnam. Since 2014, the share of goods exports as a percentage of GDP has declined, underscoring a relative weakness in India's globalisation story.

What Are India's Key Goods Exports & Imports?

Total Exports: US$434 bn
India's Key Exports

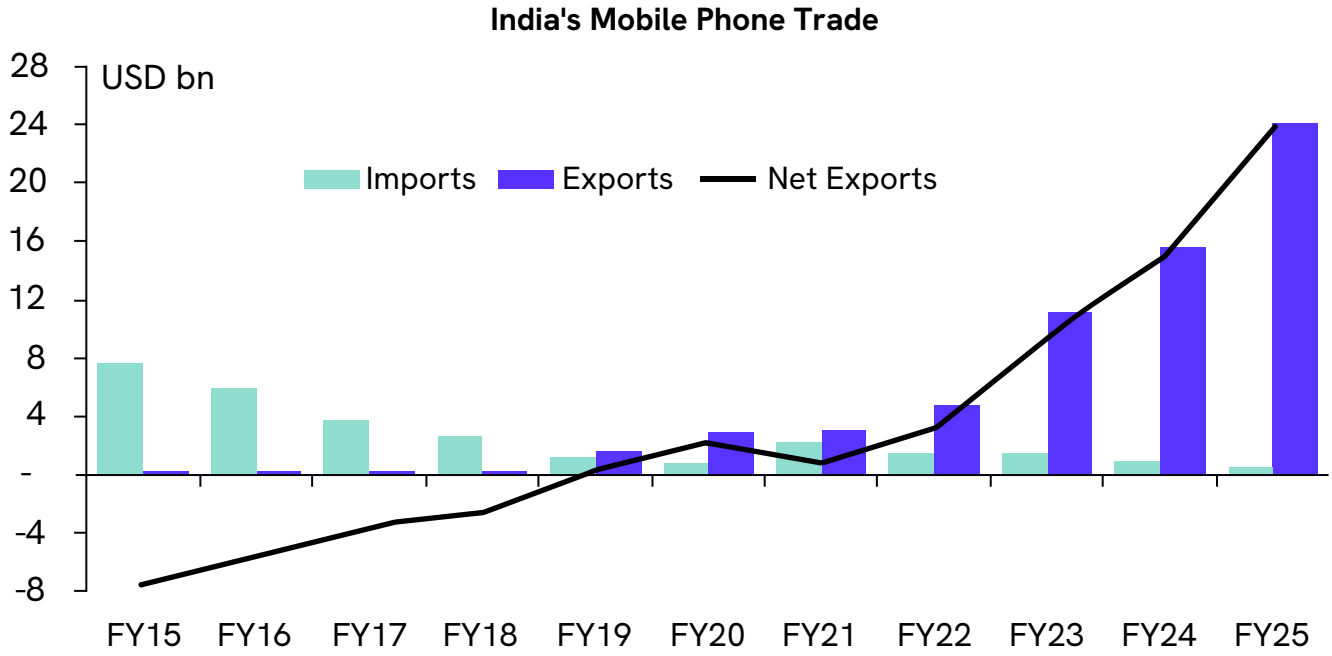


Total Imports: US$698 bn
India's Key Imports



Note: Data as of 2024. Source: UN Comtrade, 360 ONE Asset Research

Case Study 3.1a: Is India's Mobile Export Boom Self-Reliant?



Source: Ministry of Commerce, 360 ONE Asset Research

One of India's key success stories in recent years has been the rapid rise of smartphone manufacturing and exports.

Until FY18, India was a net importer of mobile phones, but it has since transformed into a net exporter and emerged as the world's second-largest mobile manufacturing hub.

The growth has been remarkable. In 2014, India had only two mobile manufacturing units; today, it hosts more than 300.

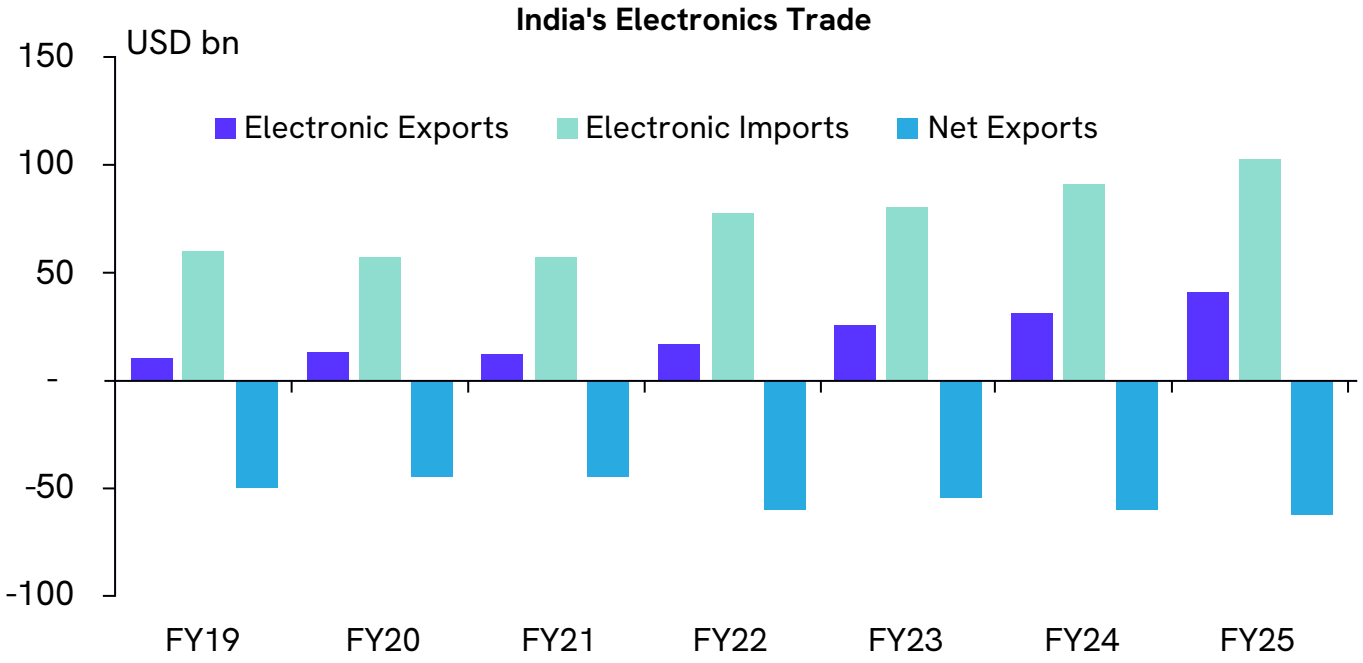
In FY15, just 26% of mobile phones sold in India were locally made, with the majority imported. Today, 99.2% of all mobile phones sold in the country are manufactured domestically.

The value of mobile phone manufacturing has skyrocketed from Rs. 189 bn in FY14 to Rs. 4.2 tn in FY24.

The sector has also become a significant job creator, generating around 12 lakh direct and indirect employment opportunities over the past decade.

Source: https://www.pib.gov.in/PressReleasePage.aspx?PRID=2099656

Case Study 3.1b: Is India's Mobile Export Boom Self-Reliant?



Source: Ministry of Commerce, 360 ONE Asset Research

The success of mobile phone exports masks India's growing dependence on imported electronic components.

Electronic imports have risen almost in step with exports, pushing the electronics trade deficit even higher over the past five years.

A large share of these imports consists of Completely Knocked Down (CKD) and Semi Knocked Down (SKD) kits and critical electronic components.

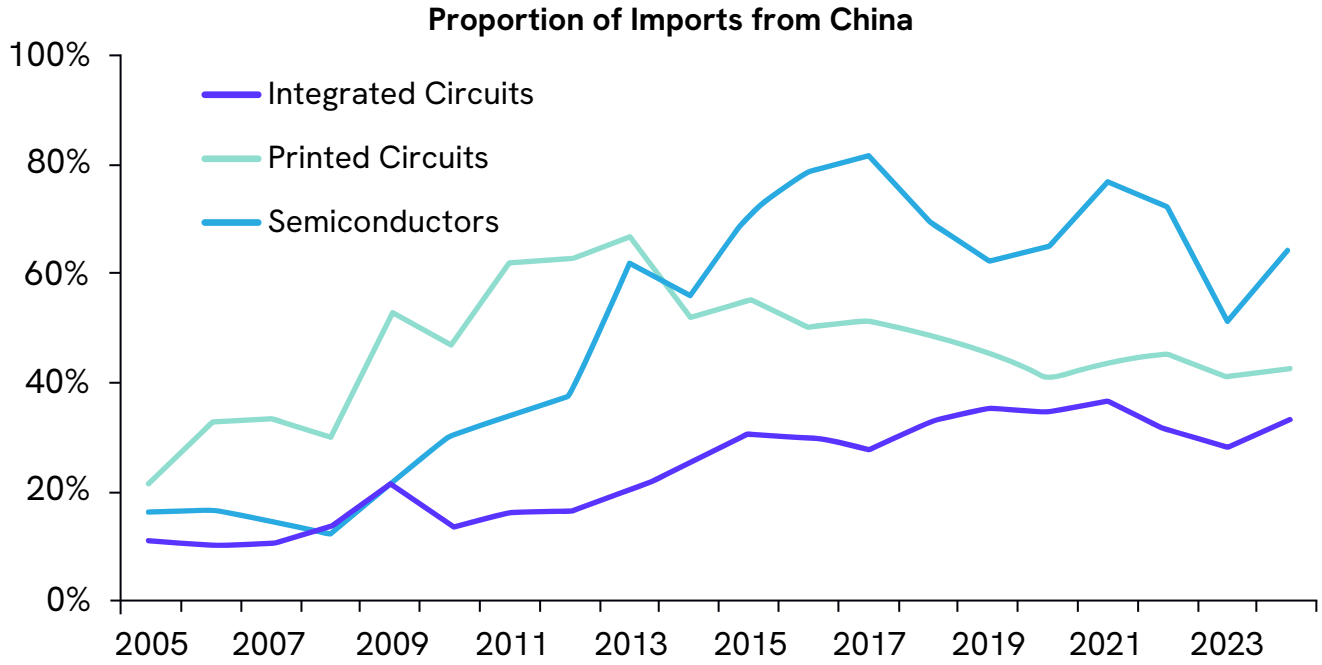
As a result, India has been unable to move up the value chain or establish a strong base in component manufacturing.

To create higher value, the industry must progress beyond end-stage assembly and expand domestic production of upstream components.

India's heavy reliance on such imports also heightens the vulnerability of its domestic production to external shocks.

The Electronics Component Manufacturing Scheme (ECMS), announced in 2025, is expected to be pivotal in driving this transition and strengthening domestic supply chains.

Case Study 3.2: What Are the Key Electronic Dependencies?



Source: Trade Map, 360 ONE Asset Research

India's demand for semiconductors, integrated circuits, and printed circuits is still overwhelmingly met through imports.

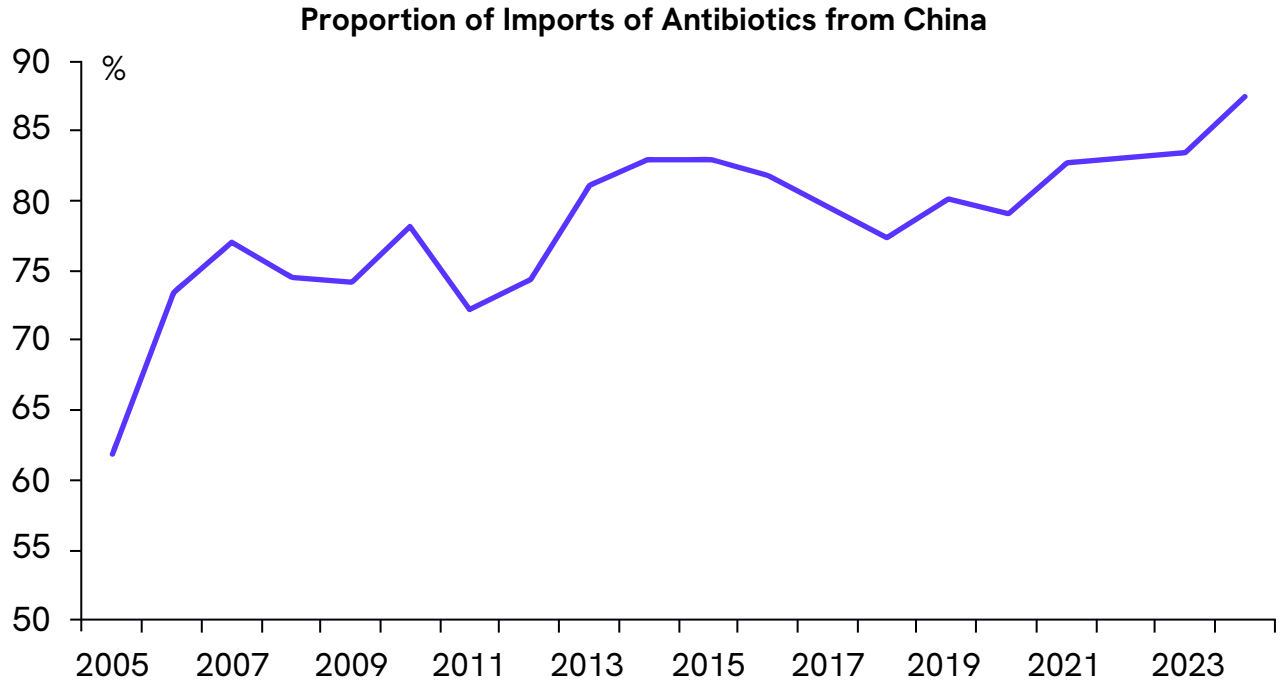
These imports are heavily concentrated in a few geographies, with China accounting for the largest share across all three components. This excessive reliance on a single geography poses a significant economic risk.

The production of these intermediate goods requires advanced technology, highly complex processes such as chip design, testing, and fabrication, and substantial capital investment.

The government has launched initiatives such as the Design-Linked Incentive (DLI) Scheme and the Semicon India Mission to address these vulnerabilities to build domestic capabilities.

Although the sector will take time to scale and achieve global competitiveness, it enables India to leverage its skilled workforce and reduce external dependencies in a strategically important industry.

Case Study 3.3: How Vulnerable Are Pharma Supply Chains?



Source: Trade Map, 360 ONE Asset Research

India is the world's third-largest producer of pharmaceutical drugs by volume. India is also the largest supplier of generic medicines, providing 20% of the world's supply.

Despite this strong export position, the industry remains heavily dependent on imports of Key Starting Materials (KSMs) and Active Pharmaceutical Ingredients (APIs), which are critical inputs in drug manufacturing.

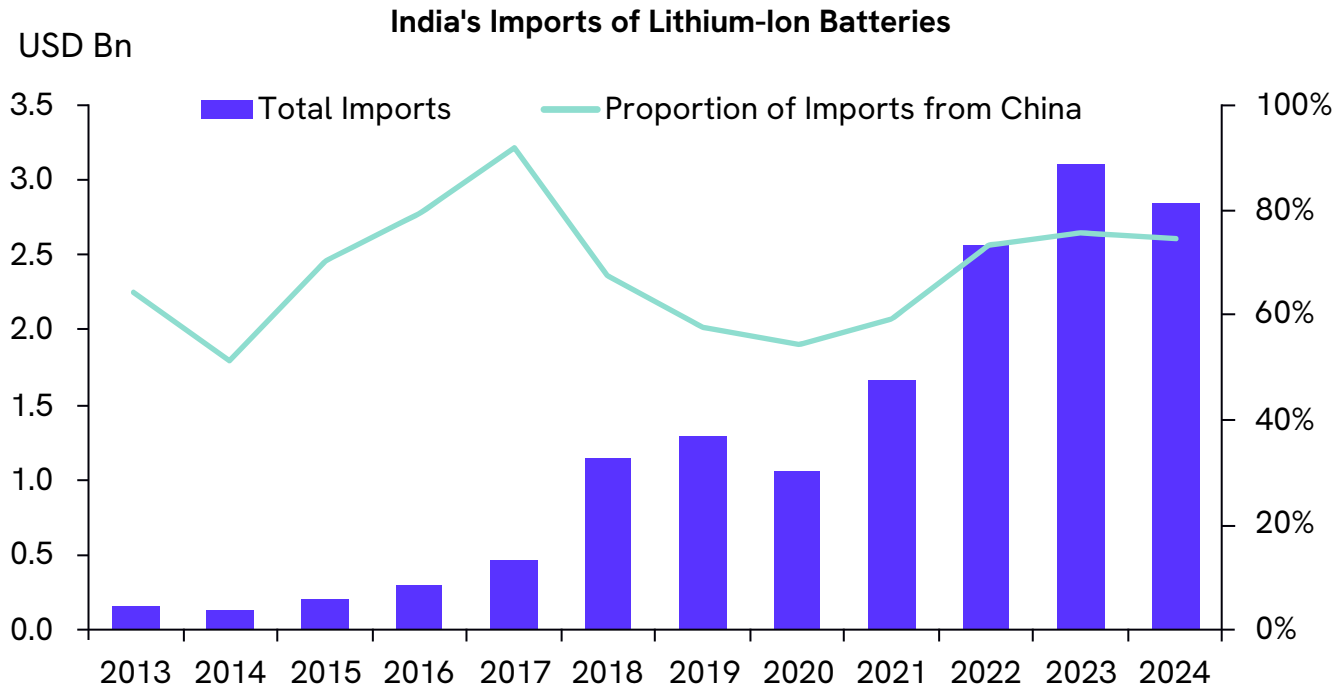
For example, as of 2024, 87% of India's antibiotic imports originate from China, and this dependence has only been growing over the years.

The growing dependence on a single source heightens supply chain risks and undermines India's pharmaceutical self-reliance.

To address this vulnerability, the government has launched a Production-Linked Incentive (PLI) scheme to boost domestic production of KSMs and APIs, encouraging the onshoring of pharmaceutical supply chains.

Source: https://www.pib.gov.in/PressNoteDetails.aspx?NoteId=154488&ModuleId=3

Case Study 3.4a: Is Green Transition Deglobalisation-Proof?



Source: Trade Map, 360 ONE Asset Research

Lithium-ion batteries are at the heart of the global green energy transition. They are central to enabling clean mobility through electric vehicles (EVs), supporting renewable power integration by storing solar and wind energy, and driving advances in consumer electronics.

As countries commit to decarbonization and net-zero goals, the demand for reliable and scalable energy storage solutions is set to rise sharply, and lithium-ion batteries remain the most commercially viable option.

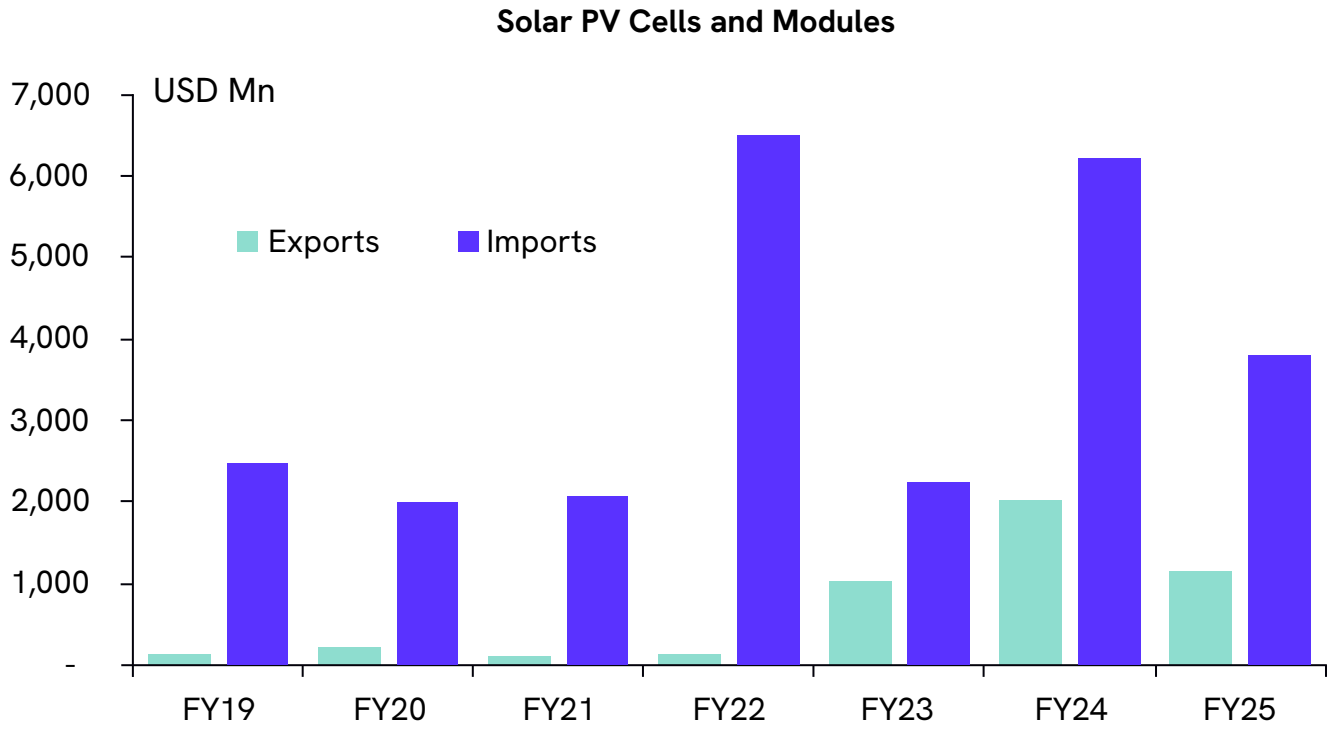
Despite their strategic importance, India has only a limited presence across lithium-ion battery supply chains.

In fact, a single geography, China, accounts for over 70% of India's lithium battery imports, making the supply chain highly concentrated and vulnerable to geopolitical tensions between the two countries.

To reduce dependence on imports, the Indian government has undertaken several exploration projects within the country and secured exploration rights for five lithium blocks in Argentina.

India has also announced a Production Linked Incentive (PLI) scheme to scale up domestic manufacturing of Advanced Chemistry Cell (ACC) battery storage. However, the response to the scheme has been underwhelming.

Case Study 3.4b: Is Green Transition Deglobalisation-Proof?



Source: Ministry of Commerce, 360 ONE Asset Research

Over the past four years, India's solar module manufacturing capacity has grown dramatically, from about 8 GW in 2021 to nearly 74 GW by March 2025.

This expansion has been driven by the Production-Linked Incentive (PLI) scheme and the Approved List of Models and Manufacturers (ALMM) policy, which mandates the use of certified, primarily domestic, solar modules in government-backed projects.

Yet, despite this progress, India remains a net importer of solar cells.

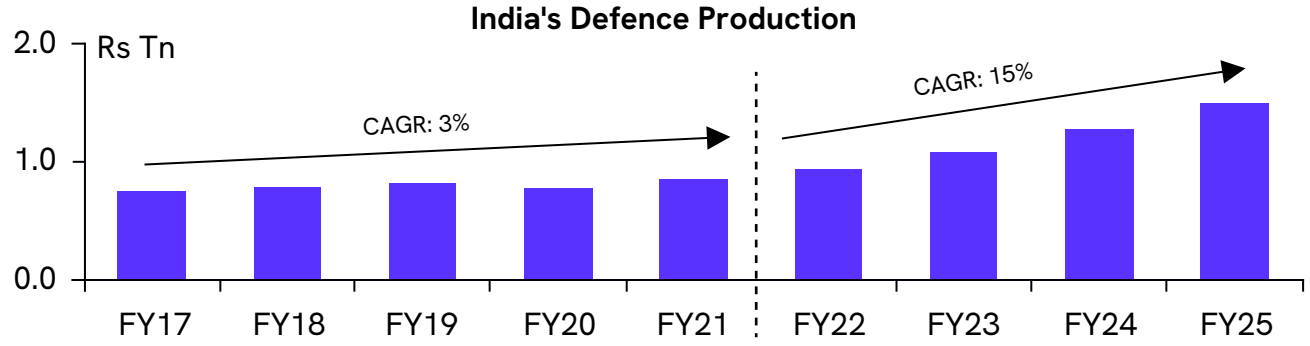
Domestic solar cell manufacturing capacity stands at only about 25 GW, leaving the sector heavily dependent on imports.

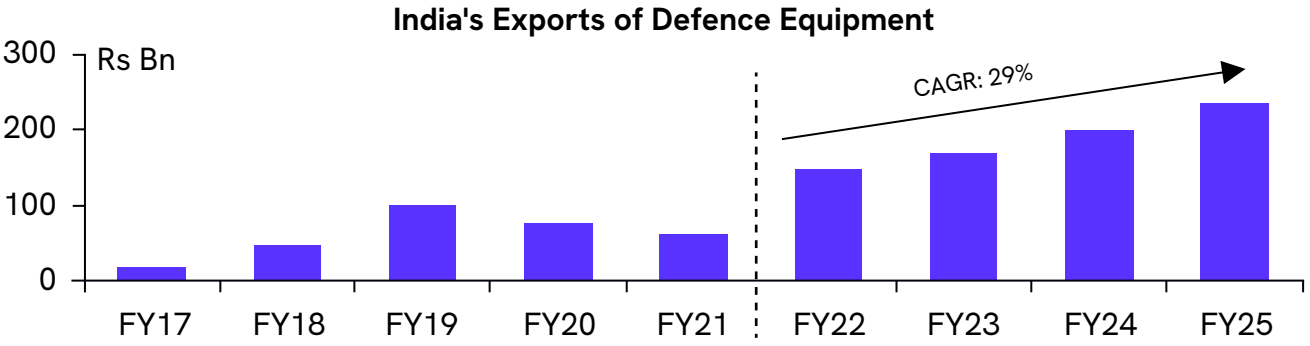
Nearly 80% of imported photovoltaic (PV) cells, an essential input for module production, are sourced from China.

To reduce this vulnerability and secure supply chains, India must expand solar cell production and invest in upstream components, supported by targeted government initiatives.

Source:
https://www.pib.gov.in/PressReleasePage.aspx?PRID=2117501
https://www.pib.gov.in/PressReleasePage.aspx?PRID=2058735

How Secure Is India's Defence in the Uncertain Global Order?





Source: PIB, 360 ONE Asset Research

According to the Stockholm International Peace Research Institute (SIPRI), India is the world's second-largest importer of major arms after Ukraine, accounting for 8.3% of global arms imports between 2020 and 2024. Russia, France, and Israel supply over 80% of India's defence imports.

Recognising the risks posed by this dependence to national security, India has made defence a priority under its self-reliance strategy.

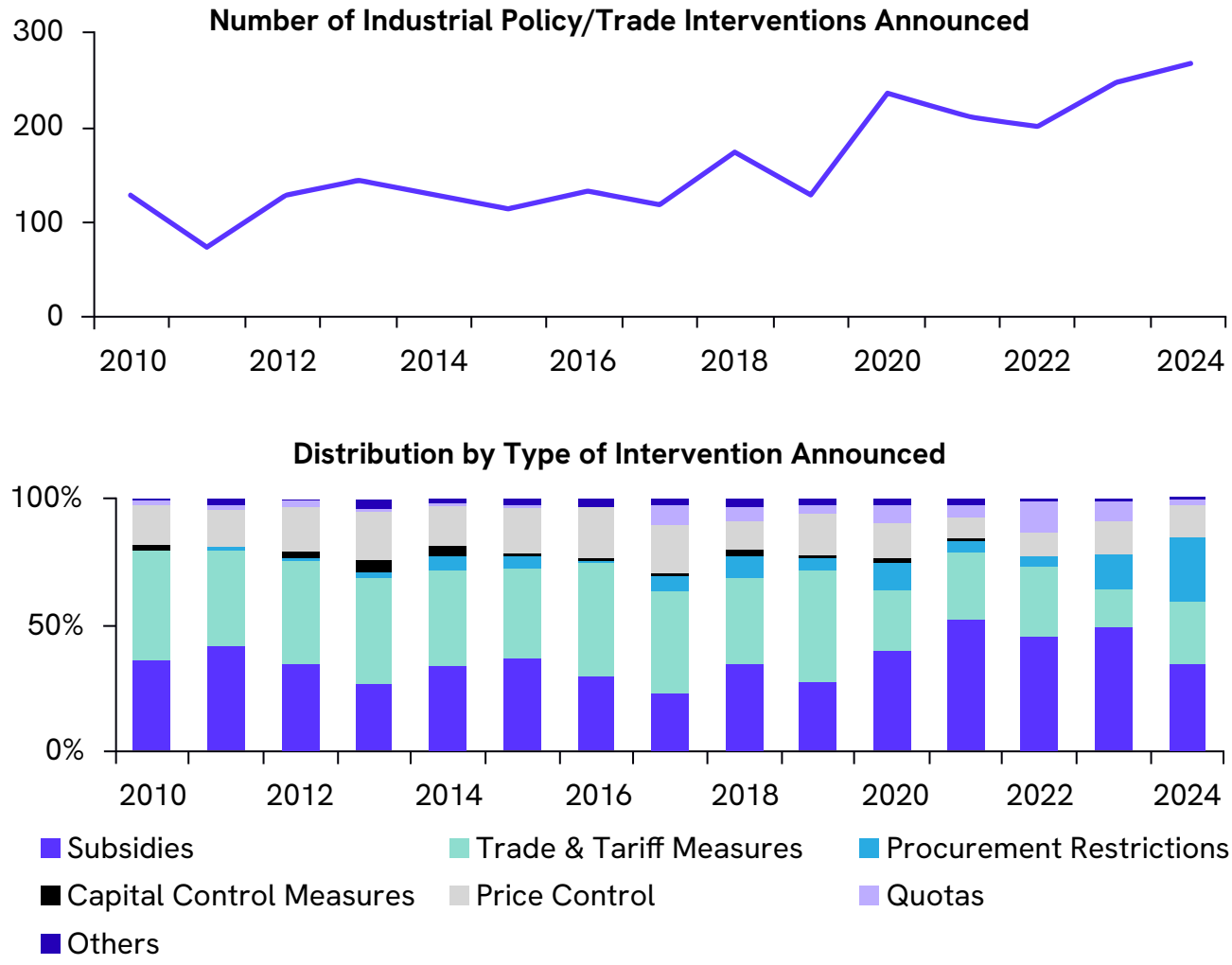
Key measures include liberalisation of foreign direct investment (FDI) in defence and the creation of Defence Industrial Corridors. Positive Indigenisation Lists and Indigenous Content Requirements have also encouraged local procurement.

As a result, by 2024–25, 92% of defence contracts were domestically sourced.

Consequently, the sector witnessed healthy growth in both defence production and exports.

Source: https://www.pib.gov.in/PressReleasePage.aspx?PRID=2116612

What Has Been India's Response Function So Far?



Source: Global Trade Alert, 360 ONE Asset Research

Industrial policy interventions by the Indian government have expanded significantly in response to the growing use of such policies worldwide. Many of these measures have already been discussed in this report.

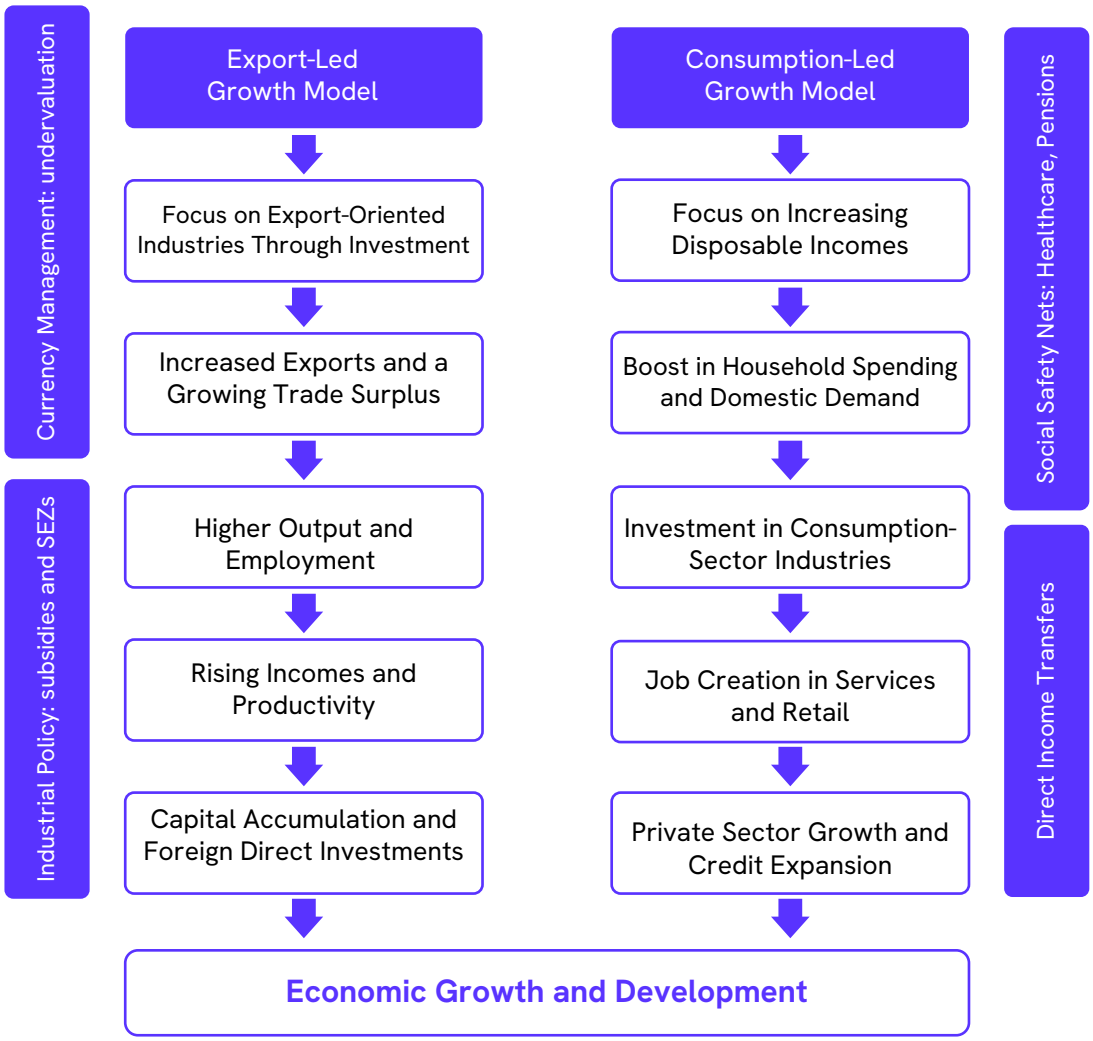
Notably, there has been a shift in the government's approach: trade and tariff-related interventions have increasingly been replaced by subsidies, and more recently, by tighter procurement restrictions.

These interventions will likely intensify as the government adopts a more active role in reducing supply chain vulnerabilities and promoting domestic production in strategic sectors.

Chapter 4:

From Global Integration to Self-Reliance

Which Growth Model Is Most Resilient in a Deglobalising World?



The export-led growth model worked well for emerging market economies during the era of globalisation, when global trade was expanding. However, as deglobalisation intensifies, this model is confronting rising headwinds.

The domestic demand-led model with a focus on strategic autonomy in critical sectors now seems the most reliable growth model.

India missed the opportunity to fully capitalise on the export-led approach during the rapid globalisation phase.

Now, it must double down on domestic consumption–driven growth while actively pursuing import substitution in key strategic industries.

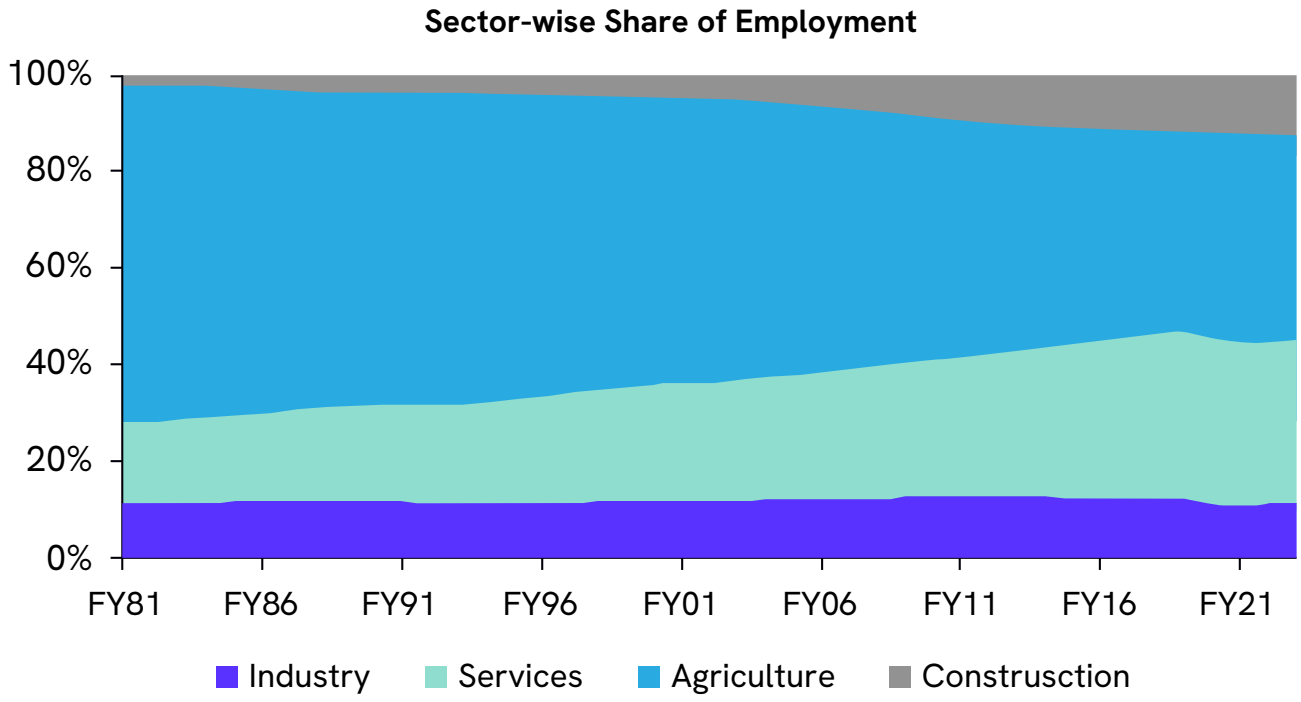
Where Is Supply Chain Diversification Most Critical?

Below is a list of key sectors where the top two countries account for more than 50% of the import share. Such concentrated supply chains increase vulnerability; hence, in addition to onshoring critical production, focus should also be on diversifying the geographical sources of imports.

Sectors/Category	Key Products/Components
Hardware for Information, Communication and Technology	Computers and other data processing machines
	Parts for data processing machines
	Monitors, projectors and TV receivers
	Flat panel display modules
	Transmission apparatus and cameras
Power Generation, Storage and Electrical Components	Electric transformers, converters and inductors
	Electric motors and generator parts
	Electrical resistors and capacitors
	Electric accumulators (batteries)
	Electromagnets and permanent magnets
Consumer Electronics	Microphones, speakers and headphones
	Electric heaters and household electro-thermal devices
Industrial Machinery and Components	Special-purpose industrial machines
	Shafts, gears and clutches
	Compressors and vacuum pumps
	Refrigerators, freezers and heat pumps
	Air conditioning machines
Fertilisers	Mixed NPK fertilisers, Nitrogen-based fertilisers and Potassium-based fertilisers
Organic and Inorganic Chemicals	Carboxylic acids, ketones, amino-compounds, nitrile-function compounds, nucleic acids and hydrocarbons
Specialty Chemicals	Phosphoric acid
	Hydrogen, rare gases and other non-metals

Note: Please note that this is not an exhaustive list, and there exist many other sectors with a higher dependence (greater than 50%) on one or two countries for imports.

Why Should Labour-Intensive Manufacturing Be a Focus Area?



Source: KLEMS, 360 ONE Asset Research

Over the past five decades, India has witnessed a steady shift in employment away from agriculture, moving largely into services and partly into construction. However, the share of industry in total employment has remained broadly unchanged.

This transition has stalled in recent years, with agriculture still employing about 42% of the workforce while contributing only 14-15% of GDP. At the same time, the rise of artificial intelligence poses new risks to employment in services.

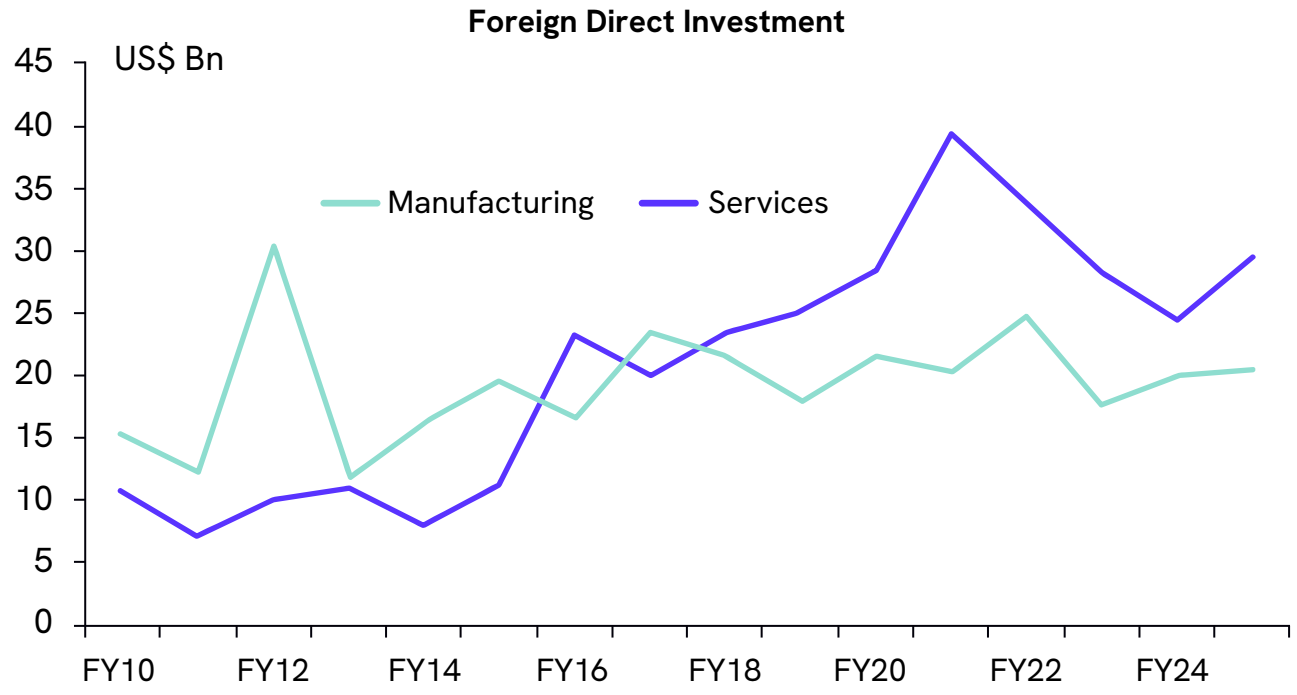
This makes employment generation a critical priority that must remain at the core of government policymaking.

While the government's push to promote domestic manufacturing is commendable, it is essential to recognise that manufacturing has increasingly become capital-intensive, limiting its capacity to generate jobs.

A viable solution lies in prioritising labour-intensive manufacturing in sectors such as textiles, leather, and footwear, which hold greater potential for employment creation.

These are also the sectors where the government should actively pursue export promotion, as global demand can further amplify job opportunities.

How to Build the Know-How for Domestic Manufacturing?



Source: CMIE, 360 ONE Asset Research

The fastest way to build the know-how for domestic manufacturing is through Foreign Direct Investment (FDI). Yet, FDI inflows into India's manufacturing sector have remained largely stagnant over the past decade.

By encouraging FDI in manufacturing, India would not only gain capital but also vital access to advanced technology, managerial expertise, and established global supply chains. This knowledge transfer could significantly accelerate the development of domestic manufacturing capabilities.

As the world's leading manufacturing powerhouse, China possesses expertise in large-scale production, process optimisation, and cost-efficient supply chains.

Allowing and selectively encouraging FDI from China, while maintaining strict safeguards for national security and strategic sectors, could provide India with technical know-how that few other economies are positioned to offer.

Ultimately, the most crucial reform to attract FDI is to improve the ease of doing business. This requires meaningful land, labour, and administrative reforms, and a concerted effort to reduce the overall cost of doing business in India.

Make in India, Make for India

- Global cooperation remains the most effective way to address economic, social, and environmental challenges while sustaining steady growth. However, with the global order shifting in ways largely beyond India's control, it is essential to build resilience within the Indian economy.

- In a deglobalising world, strengthening domestic manufacturing, especially in strategically important sectors, becomes imperative. The emphasis should be on securing resilience in critical supply chains (such as semiconductors and integrated circuits) rather than pursuing narrow import substitution of final products.

- An export-led growth model is increasingly less viable in an inward-looking global environment. Hence, India should continue to focus on its domestic demand-driven growth model.

- Meeting India's growing domestic demand through local manufacturing should be the immediate priority. But, at the same time, complete self-reliance is neither feasible nor efficient. Hence, diversification of import sources across geographies is critical to reduce overdependence on a few countries.

- It is also necessary to distinguish between supporting domestic manufacturing and shielding it from competition. Excessive protectionism breeds inefficiency; the goal should be to create a globally competitive manufacturing base that meets international standards.

- Employment creation must remain central to policymaking. The government should prioritise labour-intensive manufacturing sectors and facilitate their integration into export markets, thereby generating jobs alongside economic growth.

- FDI is the fastest way to strengthen India's manufacturing. Attracting investment in high-tech sectors, including from China with safeguards, alongside comprehensive land, labour, and administrative reforms, is essential to bring in capital, technology, and global expertise.

- At the same time, India should continue to push for a fairer, more open, and rules-based global system, supported by strong and independent multilateral institutions that can act as neutral arbiters.

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