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Issue Brief

“China Plus One”: Supply Chain Resilience Initiative and Beijing in Indo-Pacific

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S*ummary*

The COVID-19 pandemic has brought to the fore drawbacks of over-reliance on a single source for manufacturing, launching a serious debate on the need to diversify away from China-centric supply chains. However, owing to a low possibility of complete decoupling from Beijing due to the country's deep-seated economic integration with the global economy, the impetus has birthed strategies such as “China Plus One” that emphasise expanding and diversifying global supply chain networks with additional manufacturing sites outside China. This issue brief draws on such developments and proposes the emerging Supply Chain Resilience Initiative (SCRI) as a viable tool for implementing the “China Plus One” strategy. The brief argues that through meticulous implementation, the SCRI can play a significant role across various sectors to potentially enable partial decoupling from China. However, considering the structural limits of the initiative, the SCRI might need to be linked to economic initiatives by other like-minded nations to create a sense of collective economic security for the region.

Introduction

Supply chain management has been a subject of extensive study over the past decade, especially with the rise of China as a manufacturing powerhouse and the global supply chains becoming increasingly China-centric. This, coupled with China’s increasingly revisionist and authoritarian behaviour in the region, has highlighted the vulnerabilities resulting from dependence on a single source for manufacturing. COVID-19 has served as a reveille and showed that extensive dependency on China *vis-à-vis* supply chains is not limited to smaller nations but also major global powers such as the United States (US), India, Japan, Australia, South Korea, and others. This realisation has advanced an immediate focus on the idea of “China Plus One” in the global supply chain (GSC) network, especially as complete decoupling from China remains an unlikely scenario.¹

Simply put, the “China Plus One” strategy aims at expanding and diversifying the GSCs by developing additional manufacturing sites outside China.² The past decade has witnessed deliberations and gradual implementation of this strategy by countries; however, the COVID-19 pandemic has prompted greater execution by nations, both individually and regionally via multilateral platforms. For instance, Japan is one of the first major economies that offered subsidies to its companies to move production out of China into neighbouring Southeast Asian states³, amidst the pandemic.⁴ Similarly, the Supply Chain Resilience Initiative (SCRI)⁵ by the India–Japan–Australia trilateral, which seeks to de-risk supply chains and create a sustainable GSC network, has marked a shift in policy towards collective bids at implementing a “China Plus One” outlook.

Supply chains are complex networks spanning across multiple countries and continents, effective management of which provides an immediate competitive advantage to the nations. Beijing has long utilised the benefits, being a manufacturing superpower. China’s sweeping hold over GSCs is quite evident; from products like high-end gadgets to modern hardware and clinical gear, Chinese suppliers are predominantly responsible for the world’s 1,000 largest corporations,

¹ David Ramirez, **“COVID-19: Global Trade and Supply Chains after the Pandemic”**, *International Institute for Strategic Studies (IISS)*, 27 August 2020.

² “China Plus One” is essentially a business strategy being promoted by governments across the world, urging their companies to avoid investing only in China by diversifying their ventures into other countries. It should not entirely be viewed as anti-China rhetoric. Rather, it seeks to build balance in investments to ensure sustainability and protection of national interests and looks for a diversified business environment.

³ Katsuji Nakazawa, **“China up Close: Xi Fears Japan-led Manufacturing Exodus from China”**, *Nikkei Asia*, 16 April 2020.

⁴ **“Japan Reveals 87 Projects Eligible for ‘China Exit’ Subsidies”**, *Nikkei Asia*, 17 July 2020; and **“Japan to Pay at least \$ 536 Million for Companies to Leave China”**, *Mint*, 19 July 2020.

⁵ **“Australia-India-Japan Trade Ministers’ Joint Statement on Launch of Supply Chain Resilience Initiative”**, *Press Information Bureau*, Government of India, 27 April 2021.

which faced a supply cut-off during the pandemic.⁶ The pandemic acted as a particularly acute disrupting event, speeding up mitigating activities, including provider diversification and logistical expansion, and localisation and expanded utilisation of high-end innovation for improved predictions.⁷

Yet, because of the intricacy of the interconnecting GSCs, quick and widespread localisation or regionalisation of supply chains is far-fetched. Simultaneously, while GSCs will undoubtedly undergo a change post-pandemic, a full decoupling from China remains “unrealistic”⁸—as Beijing itself remarked post the establishment of the SCRI. As a result, diversification of existing networks and the creation of new and sustainable supply chains has instead emerged as a central focus amongst the Indo-Pacific states (particularly the US) and in Europe. Importantly, regardless of the level of diversification, the broader focus is to expand the GSC network to topographically proximate nations, especially to those in Southeast Asia. Here, the “China Plus One” strategy emerges as the guiding paradigm, with ventures like the SCRI providing immense scope for its practical implementation.

This issue brief explores the “China Plus One” strategy in the context of the SCRI. It argues that the SCRI is an ideal framework to further a “China Plus One” thinking, however, its execution will require a concerted effort by all founding members, as well as by their like-minded partners in the region. The brief explains how the SCRI can be envisioned as a challenge to Beijing’s growing economic and political influence—such as under its Belt and Road Initiative (BRI). However, for the SCRI to evolve and emerge along such lines, the India–Japan–Australia trilateral must accord it due focus in their national security perspectives. They must envisage it under a long-term vision, including outreach to key partners and its amalgamation with various national and regional ventures. Only then can the SCRI successfully overcome its limitations and act as an effective conduit for the “China Plus One” strategy and achieve its larger goal of economic security.

Diversification, China and SCRI

The “China Plus One” strategy has been explored by many companies over the past few years. The vulnerabilities due to increased dependence on a single manufacturing source, growing US–China competition, and rising costs in China have driven firms in this direction. One of the earliest examples of such a shift is the

⁶ Lucy Patchett, [“Why 'China Plus One' Could be the Answer for Global Supply Chains”](#), *Supply Management*, 2 September 2020.

⁷ David Ramirez, no. 1.

⁸ Ananth Krishnan, [“China Wary as India, Australia, Japan Push Supply Chain Resilience”](#), *The Hindu*, 28 April 2021; and Jagannath Panda, [“What Will an Indo-Pacific Supply Chain Resilience Initiative Mean for China?”](#), RUSI Newsbrief, *Royal United Services Institute Europe*, 40 (8), 25 September 2020.

SARS epidemic of 2002 which adversely affected China’s business operations with countries like Japan even as medical assistance from Tokyo to Beijing marked a prominent “expression of China-Japan friendship”.⁹ Today, the “China Plus One” strategy is being adopted by not only Japanese multinationals but the wider global community. In essence, the pandemic has not been a cause but a catalyst forcing states to realise that China-centric value chains are no longer economically or strategically viable; more importantly, as the pandemic proved, such over-dependence was an outright national security issue—making risk diversification a priority concern.¹⁰

Such a narrative equating supply chain diversification with national security has been accentuated by China’s “wolf warrior” diplomacy, which saw Beijing employing economic retaliation to perceived slights. For example, China banned imports from countries (a prominent example being Australia) that questioned its role in the pandemic outbreak. Such coercive strategy marked a shift from Beijing’s previous tactics of promoting trade and investments as an incentive, with the aim of converting its economic power into political influence.¹¹ This strategy was most poignantly reflected in President Xi Jinping’s flagship BRI. Being a large-scale infrastructure building venture with an extremely vast geographic footprint, the BRI holds several implications for supply chains. Due to its expansive nature, even though the BRI is not overtly or entirely (or limited only being just) a supply chain initiative, its mechanisms and functioning enable China to integrate itself further with the GSCs, advance its trade and industry, and utilise the BRI as leverage to dominate the global economy.

These developments have given rise to several initiatives aimed at diversifying supply chains to ensure more sustainable and resilient GSCs. The SCRI is one such critical venture that seeks partial decoupling from China in selected sectors for better risk management, security and exploration of new market bases, therein attracting countries and companies not willing to completely decouple from China.¹² This makes it a viable fit for the “China Plus One” strategy, which, too, does not seek complete decoupling from China.

⁹ James J. Przystup, **“Political Breakthrough and the SARS Outbreak”**, *Comparative Connections*, 5 (2), July 2003; Hanwei Huang, **“Diversification Increases Firms’ Resilience to Supply Chain Disruptions: Evidence from the SARS Epidemic in China”**, *Royal Economic Society*, 27 March 2018; and Keisuke Iida, **“Political Risks and Japanese Foreign Direct Investment in East Asia: A Case Study of China-Plus One”**, *The Korean Journal of International Studies*, 13 (2), 15 July 2015.

¹⁰ Nilesh Patel, **“COVID Proves that Companies Need to Reduce their Dependence on China”**, *Fortune*, 11 September 2020.

¹¹ Jagannath Panda, **“Decoupling and Diversification: China, The Belt and Road, and the Supply Chain Resilience Initiative”**, *Asia Global Online*, 2 June 2021.

¹² *Ibid.*

Structural Tenets of SCRI

Despite its merits and significant goals, the SCRI faces considerable structural limitations as a nascent framework. Most prominently, the founders (India, Japan and Australia) are ambiguous about how to shape the initiative: expand the initiative, which could risk losing its focus amid great power rivalry, or keep it limited to only its founding members, which might lead the SCRI to be viewed as far-fetched or overly ambitious.¹³ The scope of SCRI has been discussed in the Quadrilateral framework (involving the US, Japan, India and Australia) but without much serious thought. The inclusion of the US is definitely in the reckoning. The Joseph Biden administration has shown willingness to be a potential participating member of the SCRI, and prepare to handle disruptions caused by supply chain discontinuities.¹⁴

Furthermore, the initiative could act on its potential outlook of “expansion...based on consensus”¹⁵ and work with like-minded countries, such as the US, and some member states of Association of Southeast Asian Nations (ASEAN). It could also consider full or partial participation of key economies and economic blocs—including the United Kingdom (UK), Canada, ASEAN and the European Union (EU)—to ensure that a diverse, expansive, inclusive and resilient supply chain network is created, in its true sense.¹⁶ It could further utilise the momentum already built through the abstract framework of “Quad Plus”, which incorporated New Zealand, South Korea, Israel, Brazil and Vietnam in its discussions. In the same tune, the SCRI can find synergy with the “Blue Dot Network” (BDN)¹⁷—a public-private initiative led by Australia, Japan and the US to offer sustainable and certified quality infrastructure development projects in the Indo-Pacific—to advance its own outreach in the region.

SCRI versus BRI: Supply Chain Competition

Although the BRI is overtly conceived as an initiative that provides financial aid for infrastructure projects to states along its land-based corridors and maritime passages, ultimately creating a massive economic network with Beijing, it implicitly

¹³ Jagannath Panda, **“The Structural Limits of the Supply Chain Resilience Initiative”**, *Pacific Forum*, 8 July 2021.

¹⁴ **“Building Resilient Supply Chains, Revitalizing American Manufacturing, and Fostering Broad-Based Growth”**, 100-Day Reviews under Executive Order 14017, *The White House*, June 2021; and **“Fact Sheet: Biden-Harris Administration Announces Supply Chain Disruptions Task Force to Address Short-Term Supply Chain Discontinuities”**, *The White House*, 8 June 2021.

¹⁵ *Press Information Bureau*, no. 5.

¹⁶ Jagannath Panda, no. 11.

¹⁷ BDN is a multilateral venture that has been hailed as a counter to China’s BRI. With a focus on improving the standards of infrastructure investment, the BDN could mark the creation of an “economic alliance” in the Indo-Pacific. See Jagannath Panda, **“India, the Blue Dot Network, and the ‘Quad Plus’ Calculus”**, *Journal of Indo-Pacific Affairs*, 3 (3), Fall 2020.

reconfigures supply chains to strengthen China’s global dominance. In other words, it seeks to forge a vast global supply chain network with China as its nucleus. In this context, the SCRI comes as a significant concern to Beijing. In fact, the SCRI, which has been initiated by three Indo-Pacific democracies, has the capability to provide the region much greater inclusion, flexibility and transparency, devoid of the scepticism and allegations of debt-trap diplomacy *vis-à-vis* the BRI.¹⁸

The SCRI could also be instrumental in building green and sustainable supply chains. Several Southeast Asian countries have criticised the BRI as an environmental disaster, considering its massive carbon footprint. Though Beijing has expressed its strong commitments to “greening” BRI, most associated energy investments and contracts have been in fossil fuels.¹⁹ In this context, the SCRI could emerge as a more attractive competitor by developing post-pandemic mechanisms that prioritise ecological sustainability and draw on policies of countries like South Korea and its “Green New Deal”²⁰ to foster and promote sustainable supply chains.

Another significant area where the SCRI could play an instrumental role is in the field of technology. China’s rapid technological advances are enabling it to play a leading role in contemporary geopolitics. In fact, technology has been a crucial part of its 14th Five-Year Plan (2021–25), which witnessed an investment commitment of \$1.4 trillion over the next five years in 5G, smart cities and other technological infrastructure.²¹ However, several countries, particularly India, Japan, Australia, and most prominently the US, have raised concerns about the possibility of Beijing deploying or exploiting technology to gain strategic leverages.²²

¹⁸ Pradumna Bickram Rana and Jason Ji Xianbai, **“BRI’s ‘Debt Trap Diplomacy’: Reality or Myth?”**, *S. Rajaratnam School of International Studies (RSIS)*, 4 November 2020.

¹⁹ Alex Mark Lechner, John R. Owen, Angela Tritto, Alexander Horstmann, Hoong, Chen Teo, Chee Meng Tan and Ahimsa Campos-Arceiz, **“China’s Belt and Road: An Environmental Disaster for Southeast Asia?”**, *South China Morning Post*, 5 January 2020.

²⁰ The Green New Deal remains the “green” part of a national plan known as the Korean New Deal or the “K-New Deal”, launched partly (among many other reasons) in response to the economic crisis due to COVID-19, resulting in massive job losses in South Korea. Aiming to invest in “smart” and sustainable economic growth to offset the impact of the pandemic, the Green New Deal focuses on renewable energy, green infrastructure and industrial sector, with an investment of approximately KRW 73.4 trillion, to finally reach its long-term goal of achieving carbon neutrality by 2050. See Jae-Hyup Lee and Jisuk Woo, **“Green New Deal Policy of South Korea: Policy Innovation for a Sustainability Transition”**, *Sustainability*, 12 (23): 10191, 6 December 2020, pp. 1–17; Sarwat Chowdhury, **“South Korea’s Green New Deal in the Year of Transition”**, *UNDP*, 8 February 2021; and Misha Ketchell, **“South Korea’s Green New Deal Shows the World What a Smart Economic Recovery Looks Like”**, *The Conversation*, 9 September 2020.

²¹ **“Economics and Trade Bulletin”**, *US-China Economic and Security Review Commission*, 30 April 2021.

²² Tarun Chhabra, Rush Doshi, Ryan Hass and Emilie Kimball, **“Global China: Technology”**, *Brookings*, April 2020.

The SCRI members have already left Chinese telecommunication companies such as Huawei and ZTE out of their respective 5G trials over security fears,²³ and are moving towards building more resilient supply chains focusing on information technology. The SCRI has already discussed the bolstering of resilient supply chains with policy measures including the support for “enhanced utilization of digital technology”.²⁴ The SCRI could be expanded to include more like-minded countries, and also regional and global initiatives, to build on the momentum of exploring a common approach on 5G technology and their respective national technological plans. Groupings like the Quad have already discussed expanding strategic cooperation on similar issues,²⁵ while the UK has proposed the prospect of creating a 5G club of democracies, including the original G7 countries – UK, US, Italy, Germany, France, Japan and Canada, with a possible expansion to include Australia, South Korea and India.²⁶ In essence, the SCRI’s goals and potentials, if realised constructively, could limit the political and strategic clout of China. However, such developments are bound to witness firm reactions from China.

Quantifying Chinese Response

As expected, China’s response to the SCRI has been harsh, despite the initiative completely avoiding any reference to China and focusing more on risk diversification imperatives. Beijing termed the initiative as “artificial” and “unfavourable” to the global economy, with the Chinese foreign ministry spokesperson describing the move as “unrealistic”.²⁷ The “China Plus One” strategy has already strengthened Beijing’s belief that decoupling from China is a move pushed by the US in a bid to reduce China’s power, even though no concrete indications attest to this. Such assertions have been reiterated in academic and strategic circles in China, particularly through articles published in state-run media outlets such as *Global Times* and *China Daily*. One such article published in *Global Times* argued that technology companies were reeling under growing pressure from the US government in an effort to “weaken”

23 Li Tao, “[Japan Latest Country to Exclude Huawei, ZTE from 5G Roll-Out Over Security Concerns](#)”, *South China Morning Post*, 10 December 2018; Peter Hartcher, “[Huawei? No Way! Why Australia Banned the World’s Biggest Telecoms Firm](#)”, *The Sydney Morning Herald*, 21 May 2021; and “[Huawei and ZTE Left Out of India’s 5G Trials](#)”, *BBC News*, 5 May 2021.

24 *Press Information Bureau*, no. 5.

25 “[Quad Countries Deliberating on Common Approach on 5G](#)”, *Financial Express*, 26 September 2020.

26 Aditi Khanna, “[UK Plans New 5G Club of 10 Democracies, Including India: Report](#)”, *Mint*, 29 May 2020.

27 Su-Lin Tan and Catherine Wong, “[China Labels India, Australia, Japan Supply Chain Plan as ‘Artificial’ and ‘Unfavourable’ to Global Economy](#)”, *South China Morning Post*, 28 April 2021.

China’s dominant status in GSCs, particularly as Beijing recovers from the economic fallout of the COVID-19 pandemic.²⁸

Similarly, an opinion piece in *China Daily* described the “China Plus One” strategy as “good” in theory but denied any merit to its possible implementation, owing to the advantages of “basing supply chains in China” and other “Plus Ones”, such as Japan, South Korea, and even India, being unattractive due to high costs and poor infrastructure.²⁹ These demonstrate an acknowledging yet dismissive perception regarding the “China Plus One” strategy. Reflecting this view, another opinion piece in *Global Times* negated the possibilities of Vietnam becoming the next “world’s factory” in the backdrop of an intensifying US–China trade war. In particular, it emphasised low competitiveness and comprehensiveness in Vietnam’s industrial base, the poor foundation of suppliers, and even infrastructure when compared to China, rendering a “China Plus One” strategy as “impossible”.³⁰ A *Global Times* piece earlier this year dismissed any possibilities of India evolving as a leading manufacturing hub due to “backward industrial foundation and over-protectionism”. It even argued (and accused) that the Narendra Modi administration has been trying to “replace China’s role in the global manufacturing sector with various reforms and efforts to create favourable conditions to make it easier for foreign investors to set up factories in India”.³¹

The Chinese Communist Party (CCP) has long focused on policies aimed at sustaining China’s leading position in GSCs, coupled with reducing dependence on “unfriendly countries”.³² Now, with states actively looking to balance China’s leading position (and therefore its growing political influence), President Xi Jinping faces a pressing need to address the policy disturbances resulting from a decade-long economic slowdown, and further amplified by the US–China trade war and the COVID-19 pandemic.³³ Xi’s implementation of a “dual circulation” strategy³⁴—which

²⁸ Yin Yeping and Wang Bozun, [“Apple Suppliers Deny Shifting Supply Chains Out of China”](#), *Global Times*, 12 October 2020.

²⁹ Andrew Moody, [“‘Made in China’ Cannot Easily be Replaced”](#), *China Daily*, 27 August 2020.

³⁰ Wang Jiamei, [“Will Vietnam Become the Next ‘World’s Factory’ as Production Moves Away from China?”](#), *Global Times*, 9 April 2020.

³¹ [“GT Voice: India Can’t Replace China for European Businesses”](#), *Global Times*, 5 April 2021.

³² Li Hong, [“Dual Circulation Policy to Quash America’s Bullying”](#), *Global Times*, 16 August 2020.

³³ [“China’s Economy: What’s Behind the Slowdown?”](#), *Refinitiv*, 19 November 2019.

³⁴ The Dual Circulation Strategy, first mentioned at a meeting of the Politburo, China’s 25-member policymaking committee, in mid-May 2020, focuses on underpinning domestic consumption (the “great domestic circulation”) to manage a non-cooperative external environment. This was juxtaposed with ensuring China’s economic openness to the world (“the great international circulation”), concentrating on alleviating the post COVID-19 challenges of a complex global environment underpinned with an increasing demand to diversify away from China. Through this strategy, China under Xi Jinping would seek to bring in more international investment by building domestic consumption, rebuilding its Belt and Road Initiative (BRI) post delays caused due to COVID-19, and take advantage of Asia-led free trade deals like the Regional Comprehensive Economic Partnership (RCEP) and the Comprehensive and

focuses on domestic demands in light of an uncooperative external environment—is catered to meeting this very challenge. Through this strategy, Xi aims to reduce China’s overseas economic dependency by turning into a domestic market-oriented and self-sufficient economy.

This outlook is a cause of concern for the US, as well as the SCRI states of India, Japan and Australia, especially as they have been attempting to build their own advantages as COVID-19 induced breakdown of GSCs, raising calls for economic decoupling from China. However, should China’s strategy of “dual-circulation” be implemented, such decoupling will no longer be on Washington’s terms, failing the US-led aim of moving states away from China and “China Plus One” as a geo-economic power tool.³⁵ Importantly, China will attract more international investment via “dual circulation” by increasing domestic consumption and focusing on rebuilding its BRI.

“China Plus One” and Indo-Pacific

Despite challenges, consensus on the need to diversify from China has emerged strongly amongst powers like India, Japan, Australia, the US, the UK and some EU states. However, the degree of diversification varies. For instance, for the EU and the US, the top 10 goods by volume imported from China are similar. In the case of the US, trade redirection because of the additional tariffs Washington has imposed on Chinese items is critical in deciding the diversion of trade.³⁶ Moreover, US companies were already diversifying in the wake of the US–China trade war, as firms reduced purchases from China and started buying more from the rest of the world, notably India, Taiwan, Malaysia, South Korea and Vietnam, where a production footprint already existed.³⁷

In contrast, the degree of diversification in the EU is substantially less. China’s fast resumption of manufacturing activities made it fit for providing industrial items and retail merchandise to Europe before the continent could look elsewhere. Still, there are indications of diversification in products like glassware, ceramic-ware, footwear and clothing. For glass and ceramic products, there is an increment in supply from

Progressive Agreement for Trans-Pacific Partnership (CPTPP), to achieve its larger goal to “build a modern socialist country”, marking its second centennial in 2049. See Zhou Lanxu and Cheng Yu, **“Dual Circulation at Heart of Economic Strategy”**, *China Daily*, 5 March 2021; Jagannath Panda, **“The Significance of Beijing’s ‘Dual Circulation’ Strategy”**, *Japan Forum for Strategic Studies*, 18 March 2021; and Frank Tang, **“What is China’s Dual Circulation Economic Strategy and Why is it Important?”**, *South China Morning Post*, 19 November 2020.

³⁵ Jagannath Panda, no. 34.

³⁶ Ganyi Zhang, **“The Development of the ‘China+1’ Concept in the US and the EU”**, *Upply*, 4 November 2020.

³⁷ Jennelyn Tanchua and David Teshler, **“Global Trade at a Crossroads: As Tensions Escalate, US Companies Try to Diversify Supply Chains Away from China”**, *S&P Global*, 24 June 2019.

India and the European nations.³⁸ Many footwear and clothing companies have also moved assembling exercises outside China to Southeast and South Asia. Be that as it may, many are still reliant upon the Chinese stockpile of crude materials.³⁹ Meanwhile, with the UK, France and Germany moving their strategic compass towards the Indo-Pacific and taking cognisance of the ill-effects of China’s economic dominance in Eurasia, the “China Plus One” outlook has immense potential to boom in Europe.

Simultaneously, Japanese companies have, over the past decade, been gradually moving away from China and looking at Vietnam, India, Bangladesh and Thailand, among others, as prospective venues with low labour and foreign exchange costs; overall, Japan’s production in the ASEAN region has reached over US\$ 139 billion in the past 10 years.⁴⁰ Japan’s push to actively promote and support the SCRI aids its own national strategy to move out of China’s manufacturing grasp. Japan’s long-held tradition of “seikei bunri” (separate politics and economics) has spearheaded its balancing of economic and political ties with China. However, amidst China’s assertive actions in the East China Sea and growing synergy amongst Quad states, Tokyo’s national security calculus has become more critical of its economic partnership with China. Meanwhile, for Australia, economic ties with China, its largest import and export trade partner, have been at an “all-time low”.⁴¹ A push in Australia to buy homegrown and indigenous products is trending. With its manufacturing sector being a potential source of growth post-COVID-19, Australian supply chains and production are steadily moving out of China.⁴²

Concurrently, for India, there exists an immense opportunity to emerge as a winner in the “China Plus One” diversification trend. Though not as much as Southeast Asia, India has already witnessed modest benefits from the trade diversification in machinery and consumer goods (such as toys and furniture) amid the US-China trade war.⁴³ Indian government has initiated a wide range of projects across various sectors to support manufacturing in the country, with “Make in India”, “Digital India” and “Aatmanirbhar Bharat” (self-reliant India) leading the way. Still, competition from Southeast Asian states like Vietnam and India’s rather low ease-of-doing-

³⁸ Ganyi Zhang, no. 36.

³⁹ **“Textile and Footwear Enterprises in Short Supply of Raw Materials”**, *Customs News*, 23 February 2020.

⁴⁰ Yuko Takeo and Michelle Jamrisko, **“Japan Push to Cut China Reliance May Be Boost for Southeast Asia”**, *Bloomberg Quint*, 7 August 2020.

⁴¹ Zhao Yusha and Cui Fandi, **“China-Aussie Ties at All-Time Low after Canberra Extends Crackdown on China Academe: Expert”**, *Global Times*, 31 August 2020.

⁴² Brent Balinski, **“Australian Supply Chains Could Shift Away from China, But Will They Move Onshore?”**, *AU Manufacturing*, 13 July 2020.

⁴³ Ganyi Zhang, no. 36.

business rankings are challenges New Delhi must surf through first. In addition, India’s somewhat inward-focused financial policies do not serve well in gaining an edge over its competitors. India’s average import duties have also significantly increased over the last few years.⁴⁴ Furthermore, India’s absence from the Regional Comprehensive Economic Partnership (RCEP) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) could be an unmistakable drawback, in the long term.

Moreover, the India–China “developmental partnership” has taken major hits post the Galwan crisis. Amidst such an outlook—accompanied by the banning of Chinese applications, curbing Chinese investments in public procurement contracts, and restricting Huawei and ZTE’s access in 5G trials—the call to move production away from China has emerged as a central factor in Indian economic and business circles. In fact, several public campaigns have called on consumers to boycott items produced in China.

With China’s weakening global position, India is set to accelerate its own strategies to attract foreign investments, expand economic growth, and pose a challenge to China in sectors like telecom and technology, auto, cellular, tech, pharmaceutical ingredients and textiles. Initiatives such as the SCRI can provide India with an additional crucial avenue to further bolster its ties with like-minded strategic partners, which can help realise its regional/global economic goals and enhance its position in the region.

Summing Up

As a stand-alone venture, the SCRI cannot succeed fully, and neither can “China Plus One”, for both require a collective economic security outlook. For the SCRI to actualise, it is imperative that the initiative is coupled with national and regional ventures. A primary or immediate focus here must be to consider the full or partial inclusion of key economies and economic blocs such as the ASEAN, if not others.⁴⁵ At the same time, the SCRI needs to formulate a clear vision and direction for the long-term; officially theorising the “China Plus One” strategy within such a vision could strengthen its aims and objectives.

Furthermore, the SCRI states must coordinate their strategies with key regional and global partners, such as the US, EU, ASEAN, UK, Canada and South Korea, and reorient their strategies and tactics *vis-à-vis* the “China Plus One” approach. As Beijing’s response suggests, it is aware of the potential ramifications that SCRI could have in light of the collective economic might of its founders. Under such conditions, the SCRI (and potential partners in the future) must press down upon available

⁴⁴ Shweta Punj, “[India’s High Import Duties are Killing MSMEs](#)”, *India Today*, 25 March 2021.

⁴⁵ Jagannath Panda, no. 13.

opportunities and advantages to balance, if not limit, China’s still growing role in the global economy.

The “China Plus One” strategy finds in SCRI a democratic, rules-based and transparent partner, led by three of the most important Indo-Pacific powers. Through Japan’s Expanded Partnership for Quality Infrastructure (EPQI); India’s *Sagarmala* (to enhance the logistics sector), *Bharatmala* (for roads and highways), and the Indo-Pacific Oceans Initiative (IPOI) for maritime security and stability; the US’ BDN and Free and Open Indo-Pacific (FOIP) strategy; and Australia’s Pacific Step-up to provide support to Pacific-island countries, the SCRI members could mark synergy between a “China Plus One” implementation regionally as well as multilaterally. EU’s “Asia connectivity” strategy and the Master Plan on ASEAN Connectivity (MPAC) 2025 could be potential areas for collaboration.

The ultimate goal for all actors involved will remain the reorientation of GSCs away from China. The India–Japan–Australia trilateral must focus their extensive resources on SCRI’s outreach and incorporation of and support from other like-minded states, setting an example of collective economic security outlooks.

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