



China plus one

Description

Theme:

- Several multinational companies are exploring China plus one strategy to reduce their dependence on China. It is a big opportunity for many countries including India.

What is China plus one?

- China plus one is a business strategy used by companies to diversify their investment in other countries and to avoid investing only in China. This strategy helps the companies in protecting their business and the supply chain from any shock caused by instability in China.
- It is also called C+1 or just Plus one.

Why companies are opting for China plus one strategy:

- Geo-political tensions between China and the West and many other countries have created an unstable environment for businesses.
- Many countries including India want to decrease their reliance on China for their business interests.
- Over-dependence of companies on China for their manufacturing and service industry puts the companies at high risk in case of a supply chain problem, which the world faced during the period of the [covid](#) pandemic.
- The strict zero-COVID policy implemented by China has led to industrial and supply chain disruption forcing several companies to explore alternate options.
- The growing expense of the cost of doing business in China is also a major factor. Earlier, companies established their businesses in China for the low manufacturing and labour costs. But now, several other countries are providing those for much lower costs than China.
- China's strict data privacy law has made it difficult to operate for many tech companies in China and made them vulnerable to uncertainty.

Opportunities for India:

- Several MNCs are planning to shift their businesses from China to other countries that have stable governments. Hence it is a big opportunity for India. According to UBS Billionaire Ambitions Report 2022, India has been the leading destination for investment by billionaires all over the world. India has shown strong economic growth despite the harsh current global trade and the geopolitical situation. In contrast to India, China has seen a fall in its investments from a year ago.
- Just like China, India also has cheap labour and a huge consumer market which makes it a suitable alternative to China. India also has a huge English-speaking talent pool as well as a robust judiciary system. Moreover, the ease of doing business is improved a lot in India.
- Through the Production Linked Incentive (PLI) scheme, the government is trying to take advantage of the China plus one strategy and has been successful in attracting some big foreign companies like Apple, Samsung, and Foxconn to set up their manufacturing plants in India.
- The China plus one strategy is an opportunity to create a large number of jobs in India.
- India, US and 16 other economies partnered in July 2022 to build resilient supply chains.

What needs to be done:

- To take full advantage of the China plus one strategy, India should improve credit facilities, strengthen infrastructure, and bridge the skill gap.

Conclusion:

China plus one is a very popular strategy right now that offers India the chance to strengthen the manufacturing sector and create a large number of jobs. Additionally, it is crucial for India to lower its reliance on Chinese imports and the country's commercial ties with China. This is a chance for India to realise its vision of Atma Nirbhar Bharat.

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