



## **US–China Decoupling and the Emerging Geo-Economic Order: Implications for India**

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### **Introduction**

The concept of geo-economics has gained prominence in recent years as nations increasingly use economic tools to achieve geopolitical objectives. In the current global context, the phenomenon of "decoupling" means the deliberate reduction of economic interdependence between the United States and China has reshaped international relations. This decoupling is driven by strategic rivalries in trade, technology, and global influence, with significant implications for other nations, including India. As the world's largest democracy and a rising economic power, India finds itself at a critical juncture in navigating opportunities and challenges presented by this shifting landscape. This paper explores the dynamics of geo-economics in the age of decoupling, examines the US-China rivalries, and evaluates their impact on India's economic and strategic interests.

The current scenario of U.S.-China relations are marked by heightened tensions and strategic recalibrations, particularly in the economic and trade sectors. The re-election of President Donald Trump has introduced new uncertainties, with the administration adopting a more confrontational stance toward China. Despite initial threats of increased tariffs on Chinese imports, President Trump has opted to assess the economic relationship, expressing a willingness to engage in discussions. This approach aims to address trade imbalances, technology issues, and security concerns, while maintaining a firm position on China's trade practices.

On the diplomatic front, Chinese officials have signaled a cautious willingness to engage with the U.S., viewing the current approach as a potential opportunity for dialogue. However, they remain vigilant



due to the unpredictability of U.S. policies. President Trump's mention of a possible visit to China and his calls for cooperation on global issues, such as the Ukraine conflict and fentanyl control, indicate a complex interplay of confrontation and collaboration in the bilateral relationship.

This new shift in power dynamics in the international power structure goes beyond the vision of hyperglobalists who are very hopeful about the implications of globalisation and often believe that all players in the world economy would benefit from globalisation.

### ***Geo-Economics and Decoupling***

Contrary to the hopes of its supporters, globalisation didn't flatten the world and has created new power imbalances. In short, globalisation has proved to be not a force for liberation but a new source of vulnerability, competition and control. Decoupling can be viewed only as a phase or part of this continuous process.

Geo-economics involves the strategic use of economic resources to influence global power dynamics. The era of decoupling, characterized by the trade wars initiated by the Trump administration and continued under President Biden, marks a significant departure from the interdependence that defined globalization. The United States, concerned about national security and economic overreliance on China, has implemented measures such as tariffs, sanctions, and restrictions on Chinese tech companies like Huawei. In response, China has intensified efforts to achieve self-reliance in critical sectors, including semiconductors and artificial intelligence. This bifurcation in trade and technology has created a fragmented global economic order, with other nations adapting to the changing dynamics. For India, this shift presents both challenges and opportunities. The decoupling of the world's two largest economies has opened up pathways for India to position itself as an alternative manufacturing hub. Initiatives such as the Production-Linked Incentive (PLI) schemes have been launched to attract multinational corporations looking to diversify their supply chains away from China. Companies like Apple and Foxconn have already increased their investments in India, reflecting growing confidence in the country's potential to fill the void left by China's decoupling from global supply chains.

However, India also faces significant hurdles in capitalizing on these opportunities. Despite its growing importance, the country remains dependent on Chinese imports for critical goods, including electronics, pharmaceuticals, and renewable energy components. Balancing this economic dependency while pursuing its "Atmanirbhar Bharat" (Self-Reliant India) initiative is a complex challenge. Furthermore, India's ability to compete with China in high-tech sectors like semiconductors and AI requires significant



investment in research and development, as well as policy reforms to foster innovation and skill development.

On the geopolitical front, the US-China decoupling has elevated India's strategic significance, particularly in the Indo-Pacific region. As a key member of the Quad (comprising the US, India, Japan, and Australia), India has gained prominence in efforts to ensure a free, open, and resilient Indo-Pacific. The US has deepened its economic and technological partnerships with India, offering support in areas like semiconductors and clean energy. This alignment is not only a counterbalance to China's growing influence but also an opportunity for India to leverage its geopolitical position to enhance its economic stature.

At the same time, the decoupling era has underscored the need for India to maintain a balanced foreign policy. While strengthening ties with the US, India has continued to engage with China on trade and multilateral platforms like BRICS and the Shanghai Cooperation Organisation (SCO). This nuanced approach is essential for managing the complexities of a multipolar world, where economic and strategic interests often overlap.

In this fragmented global economic order, India's response to US-China decoupling will significantly shape its future trajectory. With strategic policy interventions, investments in infrastructure, and a focus on technological self-reliance, India has the potential to emerge as a central player in the new geo-economic landscape.

### ***US-China Rivalries and Strategic Initiatives***

The US-China rivalry extends far beyond trade disputes, encompassing a battle for technological supremacy, economic influence, and strategic dominance. One of the most visible manifestations of this rivalry is China's Belt and Road Initiative (BRI), which seeks to connect Asia, Africa, and Europe through an extensive network of infrastructure projects. This initiative not only boosts China's economic influence but also enhances its geopolitical reach by creating dependencies among participating countries. Conversely, the United States has championed the Indo-Pacific strategy, emphasizing freedom of navigation, economic openness, and the rule of law in a region increasingly influenced by China. The Quad comprising the US, India, Japan, and Australia has emerged as a vital platform to counter China's growing dominance, particularly in the Indo-Pacific.

The bifurcation of global technology ecosystems with countries forced to align with either US or Chinese standards in critical areas like 5G networks, artificial intelligence, and semiconductors has



further led to the race for technology supremacy with the help of which, both nations are vying for leadership in shaping international economic institutions, with China seeking to reform the existing global order through platforms like the Asian Infrastructure Investment Bank (AIIB). These competing strategies underscore the high-stakes nature of the rivalry, which is reshaping global alliances and challenging the global norms of international economic governance.

The US-China rivalry extends beyond trade to encompass strategic initiatives aimed at global influence. China's Belt and Road Initiative (BRI) seeks to expand its economic and political reach through infrastructure investments across Asia, Africa, and Europe. In contrast, the United States has promoted the Indo-Pacific strategy, emphasizing a free and open region supported by alliances like the Quad. These competing visions have further deepened the divide between the two powers, with implications for global supply chains, investment flows, and regional stability.

### ***Opportunities for India***

India stands to benefit from the US-China decoupling in several ways. As global companies seek to diversify supply chains away from China, India is emerging as an attractive alternative for manufacturing and investment. Initiatives like 'Make in India' and the Production Linked Incentive (PLI) scheme are designed to enhance India's competitiveness in sectors such as electronics, pharmaceuticals, and renewable energy. Additionally, India's strategic alignment with the United States and its participation in the Quad provide opportunities for technology transfers, defence collaboration, and infrastructure development. The recent Initiative on Critical and Emerging Technologies (iCET) highlights the growing Indo-US partnership in semiconductors, artificial intelligence, and 5G technology.

### ***Challenges for India***

Despite these opportunities, India faces significant challenges in leveraging the decoupling era. Economic dependencies on Chinese imports, particularly in electronics and active pharmaceutical ingredients (APIs), pose a critical vulnerability. In 2022, China accounted for over 40% of India's electronics imports, underscoring the difficulty of reducing reliance in the short term. Additionally, India must carefully balance its strategic partnerships with the US and China, avoiding actions that could alienate either power. Infrastructure bottlenecks, regulatory hurdles, and the need for skilled labor further constrain India's ability to position itself as a global manufacturing hub.

The global semiconductor crisis offers a compelling example of India's potential and limitations in the age of decoupling. Recognizing the importance of this sector, the Indian government has



announced plans to establish domestic semiconductor manufacturing facilities in collaboration with global players like Vedanta-Foxconn. However, the challenges of technological expertise and supply chain integration remain significant.

India's role in the Quad exemplifies its strategic balancing act. As a member of this US-led grouping, India has strengthened defense and maritime cooperation in the Indo-Pacific, countering China's influence in the region. Yet, India has also maintained a measured stance on contentious issues, such as Taiwan, to preserve its ties with China.

### ***Policy Recommendations***

From a theoretical understanding, the interconnectedness of economies that globalisation has been propagating also reflects great powers' struggle for supremacy. Fortunately or unfortunately, 'nation-states' continue to be the key actors in international politics; therefore, to devise any policy framework for nations other than that serves their national interests would prove to be detrimental in future.

To maximize its gains and mitigate risks, India must adopt a multi-pronged strategy. Strengthening domestic manufacturing capabilities, particularly in critical sectors like electronics and semiconductors, is imperative. Diversifying trade partnerships and reducing over-reliance on Chinese imports should be prioritized. Investments in research and development (R&D), infrastructure, and digital transformation will enhance India's competitiveness in emerging technologies. Additionally, India should deepen its engagement with global alliances like the Quad while pursuing pragmatic diplomacy to maintain balanced relations with both the US and China.

### ***Conclusion***

The age of decoupling, marked by US-China rivalries, is reshaping global economic and strategic dynamics. For India, this era presents both unprecedented opportunities and complex challenges. By capitalizing on its strategic location, large market, and growing technological capabilities, India can emerge as a key player in the evolving geo-economic landscape. However, achieving this potential will require visionary policies, robust investments, and strategic foresight to navigate the uncertainties of the decoupling.



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