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# China-India Brief

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*Guest Column*

## Made in China, Make in India: Bilateral Economic Relations Reimagined Through Industrial Policy

**By Parvathy Sailesh**

In the backdrop of global economic and political shake-ups, 2025 marks a decade since the launch of two ambitious industrial policy projects—Made in China 2025 (MIC25) and Make in India (MII). While China's mixed, yet largely positive, results have drawn international scrutiny, India's progress has been more gradual and uneven.

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The *China-India Brief* is a bi-monthly digest focusing on the relationship between Asia's two biggest powers. The Brief provides readers with a key summary of current news articles, reports, analyses, commentaries, and journal articles published in English on the China-India relationship. It features a Guest Column weighing in on key current issues in China-India relations.

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For much of their history, economic relations between these two Asian giants have been shaped—and often overshadowed—by geopolitical tensions. Today, as the global politico-economic order undergoes transformation, India-China economic relations are poised for a potential revival. In this essay, I argue that MIC25 and MII offer avenues for cooperation, and that the two countries stand to gain from pursuing strategic, selective interdependence rather than complete economic decoupling.

**What are MIC25 and MII?**

China seeks to use industrial policy tools to transition from being a manufacturer of low-end commodities to a leading innovator in high-tech industries. India aims to use softer policy incentives to ramp up manufacturing and attract foreign capital. Both initiatives are rooted in techno-nationalism, the need to ramp up growth and secure supply chains.

Launched in 2015, Made In China 2025 (MIC25) selected ten critical high-tech sectors and set goals on innovation and production under each of them. These sectors include Information Technology (IT); Robotics; Aviation and Aerospace; Offshore Engineering and High-Tech Ships; Rail Transportation; New Energy Vehicles; Electrical Equipment; Agricultural Machinery; Biotechnology, Pharmaceuticals and Medical Devices; and Emerging Technologies. This emphasis on key sectors has led to **major technological developments** in shipbuilding, high-speed rail, and electric vehicles (EVs).

As of 2024, China **supplies 76 percent** of the world's electric vehicles (EVs), with total production valued at approximately **$377.4 billion**. China's share of manufacturing across different stages of solar panel production has now **exceeded 80 percent**, according to the International Energy Agency (IEA). However, not all sectors have met their targets. Industries under biomedicine and aerospace, for instance, have **failed to meet goals set by government policy.** Although China's home-grown passenger jet, **the C919**, is now in service, it is heavily reliant on foreign-made parts and lacks safety-certifications required in most international markets.

Through a highly state-directed financial system, the Chinese government channeled low-interest loans, cheap land, and subsides to firms in these sectors. Funding was made possible by the financial capital from the profits of public sector companies, a high household-savings rate , and restrictions on overseas investments. Local governments, driven by performance incentives, competed to showcase technological innovation and increased output. Parallel investments in infrastructure, automation, and human capital also contributed to the goals of MIC25. However, these advancements are not without costs—deep structural changes in employment and production have raised questions about the long-term sustainability, labour market implications, and social consequences of China's industrial transformation.

The MII initiative was introduced in 2014 with more implicit goals and less direct policy instruments compared to its Chinese counterpart. Except for strategic industries —such as space, defence, and media—most industries were made open to **100 percent foreign direct investment (FDI)**. Regulatory reforms were central to the project. For instance, twenty-nine labour laws were consolidated into four codes, and the introduction of the Goods and Service Tax (GST) streamlined tax structures and simplified land acquisition processes. The most noteworthy success of MII was India's jump up in the World Bank's Doing Business rankings—from the **142nd to the 63rd place** in 2019. Over the past decade, India also developed a robust digital payments infrastructure through the Unified Payments Interface (UPI), benefiting businesses and consumers of all scales. As of 2024, UPI facilitates over **15 billion** transactions per month. Complementary projects like Skill India and Start-Up India have further supported the goals of MII. While net FDI inflows have increased overall, peaking at **$64 billion** in 2020, its growth has been rather uneven.

Despite these goals and policy instruments in place, MII's aim to increase the share of manufacturing to 25 percent of India's GDP has not been achieved. In fact, it **declined** from 16.3 percent in 2015 to 14.1 percent in 2024. The scale of production-linked incentives has also come under scrutiny. For instance, **the subsidy** received by Micron, a semiconductor manufacturing facility, exceeded two-thirds of the government's national education budget but had only created 5,000 jobs and does not contribute to indigenous R&D. Overall, India's total value added by the manufacturing sector stands at **$473.8 billion**, starkly lower than China's **$2.76 trillion**.

### How Does Industrial Policy Influence Bilateral Relations?

Given that both of these projects target import substitution and self-sufficiency in manufacturing, it is easy to assume that deeper economic interdependence between India and China is undesirable on both sides. In fact, the trajectory of bilateral relations since the inception of MIC25 and MII may support such a conclusion. In **2018**, Chinese President Xi Jinping met with Indian Prime Minister Narendra Modi, signing 12 bilateral agreements and promising $20 billion in investment. However, most of these did not materialise following economic tensions after the 2020 border conflict in the Galwan valley. **In response**, India imposed restrictions on Chinese capital investment and banned Chinese products, including TikTok.

Although tensions have thawed since the **de-escalation agreement** was signed in October 2024, India continues to take a cautious approach towards Chinese capital.

In 2022, following the People's Bank of China's acquisition of shares in HDFC—India's largest bank by market capitalisation—the Indian government **issued an executive order** requiring government approval for any foreign direct investment from countries that share a land border with India. Most recently, on 11 April, during a media interaction, Indian Minister of Commerce Piyush Goyal **reiterated** that encouraging FDI inflows from China is not a current policy priority, citing ongoing national security concerns.

However, in light of the US-China trade war and the broader global trade uncertainties in recent months, both India and China appear to be reconsidering economic cooperation. On 29 April, Beijing's Ambassador to New Delhi Xu Feihong, published a commentary for the Indian Express encouraging renewed cooperation, **stating that** "China strictly complies with WTO subsidy disciplines and market rules… We will not engage in market dumping or cutthroat competition." On the occasion of the 75th anniversary of India-China bilateral relations, President Xi used the metaphor of the **"Dragon-Elephant Tango"** to describe cooperation between the two countries—signalling a cautiously optimistic shift in bilateral ties.

The industrial policy projects of the past decade—MIC25 and MII—offer potential avenues for economic cooperation. MIC25's key goal was to position China as a leader in both technological innovation and large-scale industrial production.

However, China faces several internal constraints, including a declining demographic dividend and weakened domestic demand (due to the recent housing market crisis). In contrast, India's growing middle-class consumer base and workforce offers both production and market opportunities. Between 2000 to 2021, India's middle class has grown from 14 percent to **31 percent** of the country's population, offering a 432 million-strong consumer base with a daily incomes of up to $100.

In 2024, China overtook the US as India's largest trading partner, with bilateral trade reaching **$118.4 billion**. On the production side, **India's demographic dividend** is projected to peak in 2041 and remain advantageous until 2056. Aligned with India's growth trajectory, the Indian government has actively sought to attract foreign manufacturing ventures to expand its industrial base and address the pressing unemployment crisis among educated youth, with over **29 percent** of graduates currently unable to find work. Chinese manufacturers like the smartphone maker **Xiaomi**, have already set up production and assembly plants in India. For China, India is both a manufacturing destination and a consumer market. Conversely, for India, China's innovative manufacturing sector offers a source of foreign investment and evolving technology.

MIC25's goal of ramping up production and MII's goal of making India a manufacturing power are thus not mutually exclusive and can both be reached through mutual interdependencies. Incorporating cooperation into these strands of industrial policy, despite differences, can be complementary and mutually beneficial for both economies. However, viewing China solely as an industrial investor and India as a potential market alone, would be a reductionist view of these two Asian giants. Both countries are embedded in increasingly complex global supply chains—networks that neither can completely break free from. While trade volume remains substantial, their relationship continues to be shaped by long-standing political mistrust.

Hence, India and China should aim for selective, strategic industrial interdependence rather than complete economic decoupling. In a world defined by rapid technological connectivity and advancement, complete self-sufficiency is neither a feasible nor a desirable goal. Protecting critical sectors while fostering cooperation in less sensitive areas not only serve the industrial policy priorities of both nations but also reassure global investors and signal regional stability.

Managed interdependence, not isolation, offers the most pragmatic path for the Dragon and the Elephant in an increasingly uncertain world.

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