Vision 2026: In Depth

From China to India: How Geopolitics and Growth Are Reshaping Strategy

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As geopolitical risk, supply chain resilience and growth divergence reshape global strategy, CEOs are reassessing long-held assumptions about where to invest, manufacture and scale.

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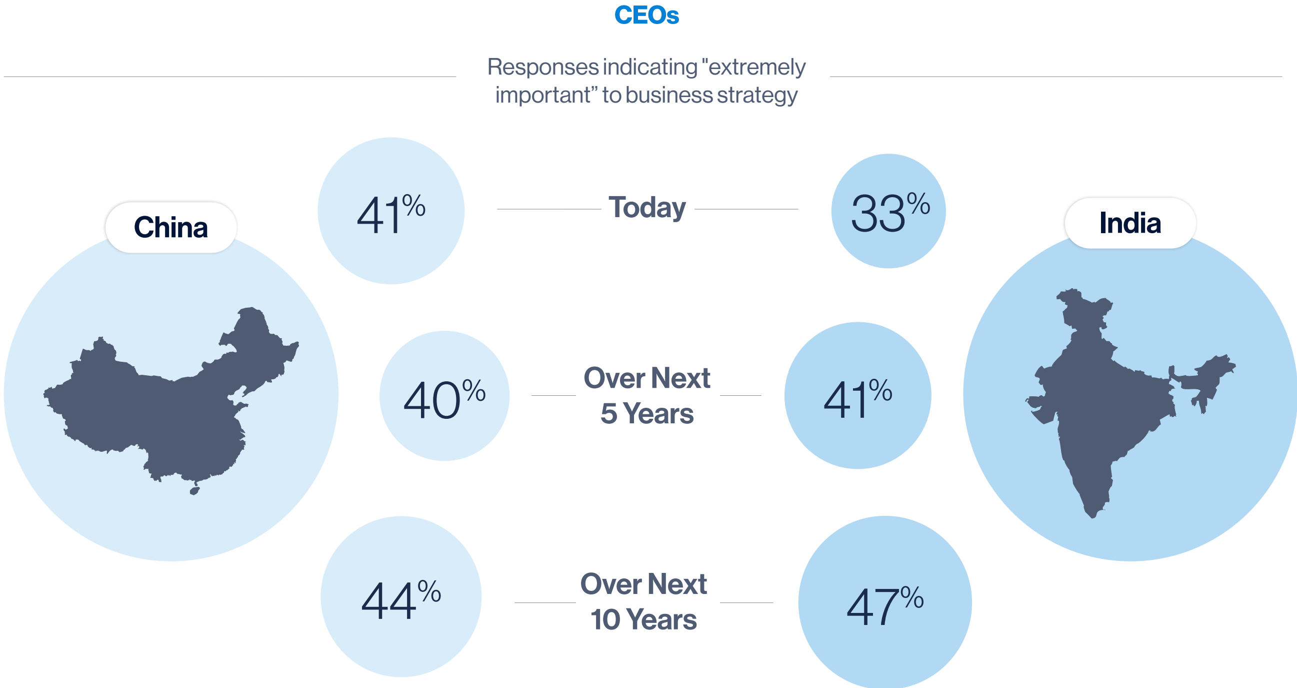
India's Strategic Rise

A notable finding from Vision 2026, Teneo's annual CEO and Investor Outlook Survey, was that global CEOs see India's importance to their business strategy rising substantially over the next decade and potentially surpassing China. Some 47% of CEOs expect India to be "extremely important" to their business strategies over a 10-year window, compared to only one third today.[1] By contrast, while 41% see China as "extremely important" today, that share is expected to rise only modestly to 44% in 10 years (see Figure 1).

1. Teneo Vision 2026 | CEO and Investor Outlook Survey

From one perspective, this result is hardly surprising: India's GDP grew by 6.6% last year compared to 5% growth in China, and the IMF expects India's growth rate to exceed China's again this year.[2] These differential growth rates reflect differing levels of development: India's per-capita GDP of around USD 3,000 (in constant 2015 dollars) in 2025 is roughly the same as China's in 2007. Such ample space for catch-up growth suggests that India will probably grow faster than China for the next decade at least. Demographics are also an advantage for India: its population is both larger and younger than China's.

Figure 1 | CEO Views on the Strategic Importance of China and India



Geopolitics and Supply Chain Shifts

Geopolitics also looms large. Despite the current truce in the U.S.-China trade war, corporate leaders recognize that U.S.-China tension will be a structural feature of the geopolitical landscape for years to come. Such tension will generate pressure to "de-risk" manufacturing supply chains by reducing reliance on China, even if only for selected intermediate inputs (e.g., rare earths) and final products (e.g., telecom hardware) deemed relevant for national security.

The productivity of India's manufacturing workforce and the country's physical infrastructure still lag far behind China, but India offers a credible "second base" as perceived geopolitical risks from concentrating supply chains in China rise. Meanwhile, the Indian government is seeking to narrow the gap with China through infrastructure upgrades, workforce development and policy incentives for manufacturing. Policymakers are also seeking ways to leverage India's longstanding strength in IT services to position India to benefit from the transition to AI-driven business models.

2. World Economic Outlook Update, January 2026: Global Economy: Steady amid Divergent Forces; World Economic Outlook 2026/003

The global companies currently diversifying from China to India are clustered in smartphone assembly, consumer electronics and IT hardware. These firms are responding to tariff uncertainty and pressure from both regulators and customers in the U.S. and Europe. Samsung and Apple have been early movers of manufacturing and supply chains to India through Taiwanese-owned OEM partners with long experience in mainland China like Foxconn, Pegatron and Wistron. Local Indian players like Tata Electronics joined these supply chains later on. In the coming years, other component suppliers are likely to follow, including firms producing printed circuit boards, camera modules, batteries, enclosures and other tier-one components.

A nascent second wave of diversifiers includes manufacturers of solar modules and auto parts. Here the drivers are policy incentives and local demand. From 2021-2026, India offered annual production incentives worth USD 24 billion to 14 strategic sectors including electronics, pharmaceuticals, telecom, automobiles and textiles.[3] A future third wave of diversification will likely focus on electric vehicle and battery components, especially for those serving global OEMs that want redundancy across Asia. Meanwhile, growing Indian demand for all these products will enable Indian production to serve both local and foreign markets.

Constraints and China's Response

Execution will remain challenging, however. Regional variation remains a defining factor for the ease of doing business. Different Indian regions vary significantly in terms of the quality of infrastructure, quality of local suppliers, regulation and red tape and bureaucratic cultures.

Another constraint is talent. While India has a large and growing workforce, experienced technicians, process engineers and mid-level technical supervisors with exposure to global quality standards are often scarce, limiting production scale-up. While the government is pushing hard to fill these talent gaps through a new education policy, this catch-up process will take many years. Still, if U.S.-China tensions escalate, companies would have little choice but to accelerate diversification despite these challenges.

China's own actions will also influence companies' decisions on diversification. On the one hand, China's government is encouraging local export-oriented manufacturers to mitigate tariff and non-tariff barriers by investing in foreign production. On the other hand, China's government is determined to maintain the country's leadership in manufacturing by restricting the outflow of advanced intellectual property, intermediate inputs and engineering talent. Such efforts have reportedly included forcing some Chinese engineers working on iPhone assembly for Foxconn in India to return home.[4]

The Bottom Line: Commercial Logic Meets Geopolitical Reality

None of these challenges is insurmountable, but navigating them will require continuous attention to the interaction between geopolitical and commercial trends. Companies will likely face difficult trade-offs between short-term profit and long-term risk mitigation. When evaluated purely on cost, quality and speed, China may still be the most attractive option. But when factoring in geopolitical risk, many firms will conclude that shifting at least some production to India is a prudent form of strategic insurance.

3. India weighs changes to improve uptake of production incentive scheme - sources | Reuters
4. Foxconn Pulls Chinese Staff From India in Hurdle for Apple (AAPL) - Bloomberg

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