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Decoding China, the Lessons for a Vulnerable India

Context

- The **sudden recall of over 300 Chinese engineers from Foxconn's** key iPhone 17 manufacturing facilities in Tamil Nadu and Karnataka is **more than a simple corporate move**.
- It reflects a **deeper, deliberate geoeconomic strategy** aimed at constraining India's rise as a global manufacturing power.
- In the broader context of Asian geopolitics and economics, **this event reveals the strategic anxiety of a dominant China** facing the potential emergence of a credible rival.
- Therefore, **it is important to critically analyse the motivations, implications, and broader context of China's actions**; while evaluating India's current standing and the path it must take to become a manufacturing powerhouse.

China's Calculated Withdrawal: A Strategic Disruption

- The **withdrawal of highly skilled Chinese engineers** from Indian manufacturing hubs is not a bureaucratic anomaly, **it is a targeted intervention**.
- These **engineers brought with them irreplaceable expertise in establishing and fine-tuning high-tech production lines**, a vital resource for a country like India, which is still in the early stages of its industrial ascent.
- By pulling out these experts, **China has strategically stifled the transfer of technical knowledge**, effectively slowing India's progress toward self-reliant electronics manufacturing.
- This **move is just one element of a broader strategy**. China has also imposed **informal restrictions on exports of rare earth elements**, essential for electric vehicles and electronics, as well as manufacturing equipment critical to India's industrial base.
- These **non-transparent barriers, often implemented through administrative delays or verbal instructions, are difficult to formally contest** but are highly effective in disrupting supply chains, raising costs, and sowing uncertainty.

Beijing's Larger Strategic Calculus

- These actions are not isolated incidents; they **form part of China's multi-pronged strategy to maintain its manufacturing dominance** and preserve its global export supremacy.

- **India's potential emergence as a high-value manufacturing competitor**, particularly amid Western moves to friend-shore supply chains away from China, is **perceived in Beijing not just as economic rivalry, but as a direct threat** to its long-term economic stability.
- This perspective is rooted in **China's growing domestic vulnerabilities**.
- **An ageing population, declining birth rates**, a prolonged property crisis, and ballooning social welfare obligations have placed **immense fiscal pressure on the Chinese state**.
- With internal consumption weakening, **China's reliance on exports has only grown**.
- **Its massive trade surplus, nearing a trillion dollars, is less a mark of strength** than an indicator of overcapacity and weak internal demand.
- **In such a context, the rise of any credible export competitor**, especially one as geographically proximate and demographically strong as India, **is deeply unsettling for Beijing**.

India's Structural Challenges and Missed Opportunities

• Underdeveloped Manufacturing Sector

- Despite its growing ambitions, **India's manufacturing sector remains underdeveloped in comparison to China's industrial machinery**.
- While China controls and orchestrates global supply chains in critical areas like Artificial Intelligence, quantum computing, and electric vehicles, **India still struggles with basic dependencies, from importing chips and semiconductors** to the lack of indigenous production of sensors and engines.
- The **Make in India campaign, though visionary, continues to lean heavily on foreign inputs**.

• Infrastructure Deficiencies

- Infrastructure deficiencies, bureaucratic red tape, and inconsistent policy implementation further **aggravate these challenges**.
- The **current reliance on screwdriver technology** underscores a structural vulnerability that makes India's aspirations to be a manufacturing hub more rhetorical than real, at least for now.
- Moreover, **recent developments such as the United States' decision to raise tariffs** on Indian goods, while temporarily exempting China, **illustrate the fragility of strategic alignments**.
- These **shifts serve as a stark reminder** that global partnerships can be transactional and volatile.
- For India, **this calls for a renewed emphasis on strategic autonomy**, rooted in self-sufficiency and resilience.

China's Economic Statecraft and Global Influence

- **China's dominance is not accidental but systemic**. It employs sophisticated economic statecraft, weaponizing its overcapacity to flood global markets with cheap goods and suppress competition.
- **Companies like BYD exemplify this approach**, using price as a strategic lever to neutralise rivals and expand market share.
- **Even economic weaknesses**, such as industrial overcapacity, **are transformed into tools for geopolitical influence**.

- This dominance **also extends to its international partnerships.**
- While India grapples with internal inefficiencies, **China continues to consolidate its economic corridors through Pakistan, ASEAN, Africa, and Latin America**, thereby expanding its influence and securing long-term market access.

Conclusion

- The **withdrawal of Chinese engineers from Foxconn is symbolic of a larger game** being played in Asia's industrial landscape, a game in which India must now learn the rules if it intends to compete.
- **Beijing's assertive actions are a clarion call for India to focus inward:** to build infrastructure, ease regulatory hurdles, nurture indigenous technology, and develop a self-reliant industrial base.
- The **time has come for India to move beyond aspirational slogans** and invest deeply in capacity-building, research, and strategic execution.
- **Only then can it emerge as a true alternative to China's manufacturing empire.** Ultimately, the lesson is clear: the **onus is on India to shape its destiny.**

Decoding China, the Lessons for a Vulnerable India FAQs

Q1. Why did China recall its engineers from Foxconn's Indian facilities?

Ans. China recalled its engineers to hinder India's technological growth and delay the transfer of advanced manufacturing know-how.

Q2. How is China using its control over rare earths against India?

Ans. China is restricting exports of rare earth materials and high-end manufacturing equipment to India, disrupting its supply chains and slowing industrial development.

Q3. What domestic challenges are driving China's aggressive export strategy?

Ans. China faces an ageing population, weak domestic consumption, and rising social welfare costs, which push it to rely more heavily on export revenues.

Q4. Why is India not yet a strong alternative to China in manufacturing?

Ans. India still struggles with infrastructure gaps, bureaucratic hurdles, and dependence on imports for key components like chips and semiconductors.

Q5. What lesson should India learn from China's actions?

Ans. India must focus on building self-reliant manufacturing capabilities and reduce external dependence to compete globally.

Source: [The Hindu](#)

RBI's Monetary Policy Review - Balancing Growth Optimism with Inflationary Caution

Context:

- This article pertains to the Reserve Bank of India's (RBI) latest **Monetary Policy Committee (MPC)** meeting and its **assessment of inflation trends, GDP growth prospects**, external trade risks, and future policy outlook.

RBI's Monetary Policy Stand:

- RBI kept the repo rate **unchanged** and maintained a **neutral stance**.
- The central bank has already reduced the policy rate by 100 basis points (bps) since February 2025.
- With CPI inflation projected to rise beyond 4% in 2026, **further rate cuts are unlikely** in this cycle.

Inflation Outlook:

• Current trends:

- Consumer Price Index (CPI) inflation dropped sharply to approximately 2% in June 2025; projected at 2.5% for the next two quarters.
- FY26 CPI inflation projection lowered to 3.1%, aided by a statistical base effect and vegetable price deflation.

• Vegetable price volatility:

- Vegetable inflation that was very high in 2024 (averaging 27%), has recorded sharp deflation, averaging -15% in the last three months.
- Vegetable price sub-index (6% weight in CPI) remains highly volatile.
- If we exclude vegetable prices, CPI inflation was in the range of 3-4% for the entire FY25 and remains in the same range in Q1 FY26.

• Future projections:

- Due to reversal of base effect, **CPI inflation is expected to breach 4% in Q4 FY26**.
- **FY27 CPI inflation** could average above 4.5%, in line with RBI's estimates.

Growth Projections and Domestic Factors:

• GDP outlook:

- RBI retained FY26 GDP growth projection at **5%**, reflecting growth optimism.
- Supportive factors:
 - Interest rate cuts
 - Strong agricultural output
 - Benign inflationary environment
 - Good monsoon and lower income tax burden

- **Consumption and employment concerns:**
 - **Urban consumption** remains weak due to low income growth and hiring slowdown, particularly in the IT sector.
 - **Top 5 IT firms show stagnant employment**, and employee cost growth across 670 companies dropped from 14% (FY19-FY24) to 5% (FY25).
- **Investment trends:**
 - Public capital expenditure (capex) surged by 52% in Q1 FY26.
 - However, **private sector investment remains cautious** amid economic uncertainties.

External Sector and Trade Dynamics:

- **External risks:**

- US reciprocal tariffs pose risk to India's external sector.
- Merchandise exports may contract in FY26, though services exports stay resilient.

- **Current account and forex reserves:**

- **India's current account deficit** to be manageable at 0.9% of GDP in FY26.
- With forex reserves at a comfortable level of \$689 billion covering 11 months of merchandise imports, India's external sector is broadly insulated, although it needs to remain cautious.

Policy Outlook - Wait-and-Watch Approach:

- With real interest rates low (approximately 1%) and liquidity ample, the RBI will likely pause further rate cuts.
- Only a significant downturn in growth due to external shocks may prompt further easing.

Conclusion:

- The RBI's cautious yet optimistic approach reflects a nuanced understanding of evolving macroeconomic trends.
- Sustained domestic demand, strategic policy manoeuvring, and vigilance on inflation and external risks will be key to maintaining economic stability in FY26 and beyond.

RBI's Monetary Policy Review FAQs

Q1. How have base effects and food prices impacted CPI inflation trends recently?

Ans. Due to the base effect and vegetable price deflation, CPI inflation fell sharply to ~2% in June 2025.

Q2. Why has the RBI paused further rate cuts despite low inflation?

Ans. Because inflation is projected to rise above 4% in 2026, and growth remains stable at 6.5%.

Q3. What is the impact of weak urban income and IT sector hiring on consumption?

Ans. It has led to subdued urban demand, limiting the breadth of economic recovery.

Q4. How will US tariffs affect India's exports and GDP?

Ans. They may hurt merchandise exports, but the overall GDP impact is limited due to strong domestic demand.

Q5. Why are India's forex reserves crucial in current global conditions?

Ans. They act as a buffer against trade shocks, with \$689 billion covering 11 months of imports.

Source: IE

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