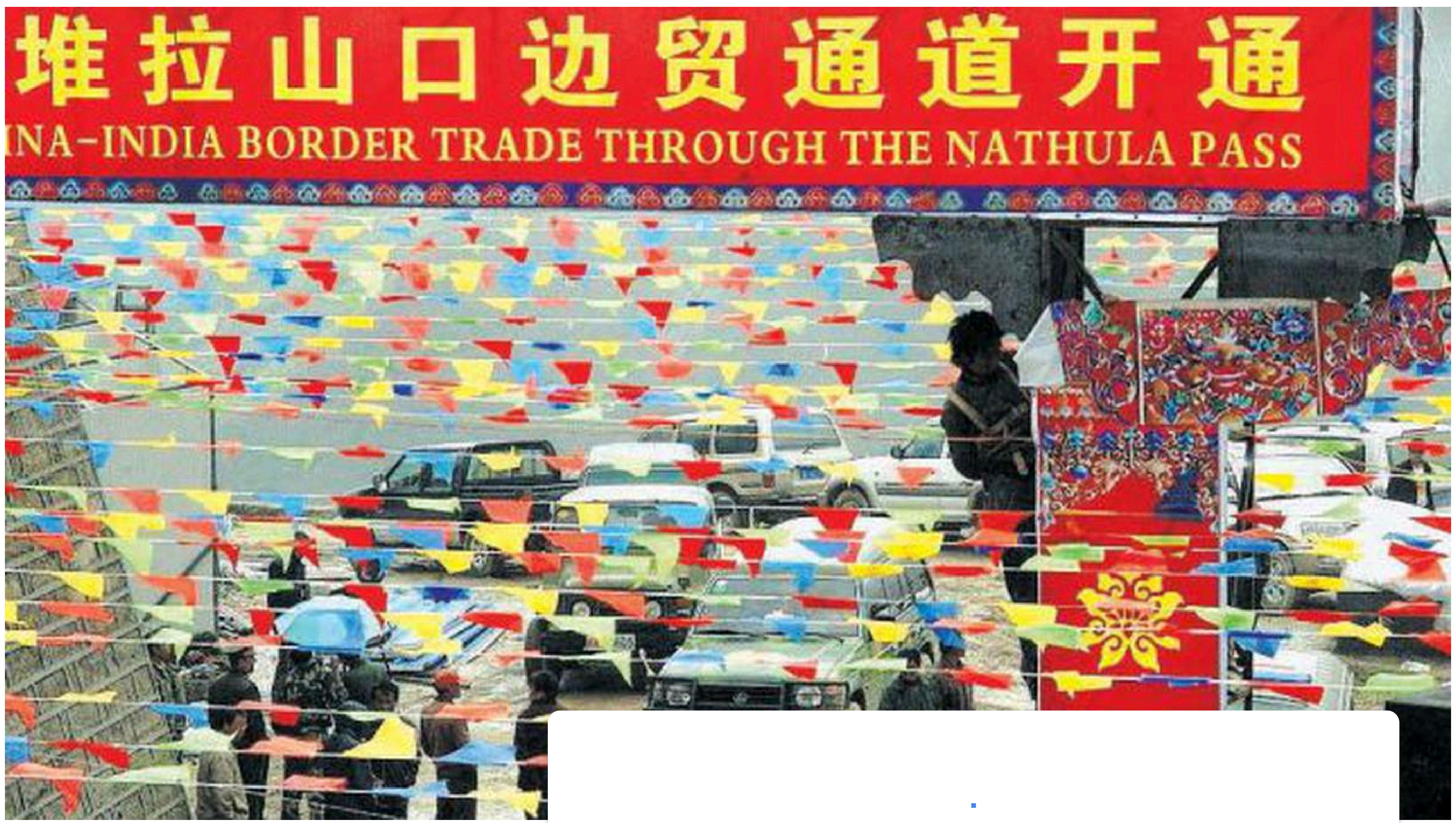
Intent: China Plus One, Impact: India Minus One?

‘Due to its closure, there was a loss of livelihood for over one lakh professionals directly or indirectly associated with Sterlite Copper’.

Updated – December 28, 2024 01:14 pm IST

R. CHANDRA MOULI



The status quo of relying on China or outsourcing or impo
opportunity to strengthen its stranglehold. Representat

Governments the world over engage in self-protection overtly or covertly. Defence is the best-known form of securing a nation. Next priority is the economy, and in some countries not so secular - religion and culture get equal emphasis. Economic protection could include restrictions on trade, tariffs, imports and exports.

Our government at the Centre, and the Leadership which is now in its third term, made a tectonic shift in the policy terrain, specifically in the manufacturing vertical, by keenly observing and swiftly reacting to the apprehensions many countries had about a nation well-endowed with natural resources, production facilities and human resources.

Always a closed-door entity, the Red Dragon had the advantage of avoiding scrutiny of manufacturing methods, safety protocols or environmental safeguards. Add to this a socialist bent of mind, wherein manufacturing enterprises that thrived were state-owned, and detractions such as labour unrest, community uprising or public protests could be swiftly quelled, and you had an ecosystem that ensured high-volume industrial output.

The watching world had to come up with an alternative. The status quo of relying on this country for outsourcing or imports could lead to over-reliance on one supply source and provide the exporter greater opportunity to strengthen its stranglehold. Hence, a diversification strategy was formulated in 2013 and anointed 'China Plus One.'

At its core, C+1 encourages companies to minimise their dependency on China for supply chain and manufacturing. The genesis was rising labour costs in China, escalation of trade tensions, and the import bottleneck faced during COVID-19 disruption. India, with its political stability, infrastructure, ease of communicating in English, and state-of-the-art connectivity, began emerging as a "Plus One" destination within a short time.

Key decisions taken by the Indian Government accelerated the switch for outsourcing or relocation of manufacturing (we were already a preferred partner for IT-related services). The 'Make In India' initiative launched by Prime Minister Narendra Modi in 2014 proved to be well-timed with the world's search for a viable outsourcing nation.

A cascade of reforms, such as reduction in corporate taxes, introduction of production-linked incentive schemes, upgrading of airports and investment in superfast trains and multi-lane expressways made us even more investor-friendly and visitor-friendly.

All this sounds good… delve deeper and you discover some of it is too good to be true. While other nations were decreasing their dependence on China, we have not, and in some sectors, we just could not.

Let’s take figures for 2023, as recorded in the United Nations COMTRADE Database:

Our country, Apna Desh, imported from China, goods worth almost USD 122 Billion last year. Minerals, metals and ore concentrates, categories in which we pride ourselves as having requisite inland resources, feature prominently in the list of imports. Look closely at the published figures and you will find a total payout of USD 4.58 Billion dollars towards the import of Iron & Steel, Zinc, Tin, Nickel, Aluminium and Copper.

The last in the list, Copper, is classified as a critical mineral. Its historical usage in domestic utensils and appliances owing to its high level of conductivity is well known. In recent years, Copper has been positioned as the catalyst of green energy, being the key input material in electric vehicles, windmills and solar panels.

Here is the irony. Until 2018, India was a net exporter of copper. The sudden change of status as an importer is best described by Mayur Karmarkar, Managing Director, International Copper Association, India. In an interview with *The Hindu Business Line* earlier this year, Karmarkar revealed that domestic copper production is struggling to keep pace with rising demand.

In his words: “Over 50 percent of India’s smelting capacity has shut down, leading to a transition from being a net exporter until May 2018, to a reliance on imports in recent years. The closure of the Sterlite copper smelter in Tuticorin significantly impacted this shift.”

Much has been speculated and written about the reasons for closure of Sterlite Copper. Some say it is the work of anti-India forces that wanted to end the Nation’s regional dominance in copper production. Did these elements fuel the rumours about pollution by the smelter, did they mislead the public and fund the protests?

While the truth may never be known, the on-ground reality is the loss of livelihood for over one lakh professionals directly or indirectly associated with Sterlite Copper - as employees, daily wage labourers, contractors or operators of downstream units.

A question we must ask ourselves: At a geopolitical level, has the shutdown of a unit contributing a significant share of India's copper requirement turned the scales on our China Plus One strategy, at least in the critical minerals sector?

If the answer is yes, instead of Plus One, we are down to Minus One.

(R. Chandra Mouli is a former journalist who writes on sustainability, green energy, minerals, metals and rare earths)

Published - December 28, 2024 12:41 pm IST