



Global Supply Chain Disruption and India's Strategic Imperatives

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Hebatallah Adam

Global supply chains (GSC) are changing in ways never seen since the end of the Cold War. The geopolitical rivalry, the revival of industrial policy, climate shocks, and even security upheavals along strategic pathways are redefining the supply chain systems previously optimized to be cost-effective and deliver products on time. The International Monetary Fund (IMF, 2024) states that the development of global trade has become quite vulnerable to political orientation, and the World Trade Organization (WTO, 2023) is concerned with the risk of a structural fragmentation across the global value chains.

For the Indian economy, with its economic future pegged on export growth, manufacturing expansion, and a role in global production networks, a disrupted global supply chain is no longer a marginal risk. It constitutes a strategic limitation, as well as a strategic opportunity; it shapes the national economic, foreign, and industrial policies.

The Conceptual Shift in GSC: From Efficiency to Resilience

Over the last 30 years, the global supply chains were constructed around a narrow rationale: cost reduction, centralization, and minimization of inventories. This model reflects the traditional foundations of economic efficiency but lacks resilience. It has many vulnerabilities that were revealed during and after the COVID-19 pandemic, and by the later shocks, including the Russia-Ukraine war, the Middle East unrest, and the disturbance in the Red Sea and Suez Canal. All have

proved resilience to be the key factor in determining economic security, not efficiency alone (World Bank, 2024). This change was guided by three key factors:

1. Geopolitics has become increasingly influential in the global supply chain networks. Tariffs, exports controls, sanctions, and screening of investment have become the new weapons of statecraft. According to OECD (2024), strategic industries like semiconductors, pharmaceuticals, energy technologies, and critical minerals have become more controlled by considerations of security than by market rationality only.
2. Global shocks are enduring and not occasional. The global economy has become marked by climate-related disruptions, maritime insecurity, and price fluctuations in energy markets. UNCTAD (2024) estimates that more than 80 percent of all volume of trade occurs by sea, and thus chokepoints like the Suez Canal are systemically significant to inflation, food security, and industrial production.
3. The resurgence of industrial policy on a large scale. Major economic powers are reshoring¹, near-shoring², or friend-shoring³ production by subsidies and regulatory incentives. Although this allows alternative manufacturing hubs, it also heightens competition to invest and increases compliance costs to exporters.

India's Five Strategic Imperatives to the GSC Disruptions

The Indian Economy requires a strategic, long-term approach to supply-chain management and not just a crisis-based approach to responding to the ongoing disruptions:

1. **Diversify Trading Partners:** India's first strategic priority is diversification, of both the export and the import markets. The dependency on a limited number of markets exposes exporters to tariff escalation, regulatory dispersion and geopolitical disruptions. According to the UNCTAD (2024)'s projections, the growth in future demand will rely more on the Global South Regions, such as ASEAN, Africa, the Middle East, and Latin America than the traditional transatlantic markets. The trade diversification should thus be coupled with selective trade agreements

¹ Moving production back to the home country.

² Relocating production to a nearby/close country.

³ Moving production to countries with aligned political and economic interests.

focusing on harmonizing standards, cooperation in the supply chain, and enhancing trade facilitation. The Foreign Trade Policy and Trade Vision 2047 ([Viksit India 20247](#)) look forward to shifting the focus from tariff reduction towards building a more resilient trade system.

At the supply end, diversification should emphasize multi-country sourcing as opposed to wholesale decoupling. [The WTO \(2023\)](#) indicates that full reshoring will increase expenses and minimize competitiveness, but a diversified network of sourcing will increase resiliency without compromising the scale economies.

- 2. Building a Domestic Resilience in the Manufacturing Sector:** Diversification is not sufficient on its own without domestic capability. The second imperative that India needs to drive is to build strategic manufacturing hubs to minimize the reliance on imports in some of its most essential sectors and increase export competitiveness. The Production-Linked Incentive (PLI) schemes capture this reasoning, as they are aimed at industries that have a high multiplier impact: electronics, pharmaceuticals, sophisticated chemistry, renewable energy elements, and electric mobility. However, the global practice reveals that incentives will be effective only in the presence of a combination of logistics effectiveness, skilled labor, and alliances with other partners in technology ([World Bank, 2022](#)). Therefore, a complete structural reform is required.

The fastest gains can be achieved in the advanced manufacturing sector, where India already has scale benefits. In semiconductors, a staged process of assembly, testing, and packaging (ATMP) is in line with best practice. In pharmaceuticals, the rising bulk-drug parks and shared compliance infrastructure can enhance resilience and comply with the global standards of the regulations. In green technologies, upstream investments in materials processing are needed to prevent new types of dependency.

- 3. Rethinking Logistics and Maritime Security:** Logistics and maritime security cannot be separated from supply-chain resilience. The Red Sea and Suez geopolitical risk disruptions have shown how fast shipping delays can be converted into an increase in freight costs, insurance, and pressures on inflation costs. The rerouting of trade around the Cape of Good Hope may add 10-14 days and greatly increase costs to trade between Asia and Europe ([Atlas Institute. \(n.d.\)](#)). India then needs to rethink its logistics back-up and maritime collaboration. The National Logistics Policy and Sagarmala initiative work to minimize the logistics expenses by modernizing ports,

building multimodal connectivity and integrating digital solutions (GOI Press Information Bureau. (2025, June 11)). Meanwhile, it is vital to collaborate with the key maritime partners along the Red Sea, the Gulf, and Western Indo-Pacific to control the stability along the strategic maritime pathways.

4. **Moving to Smart Resilience, not Hard Decoupling: Resilience** should not be considered as duplication or isolation. Rather, smart resilience is a blend of diversified sourcing, strategic reserves, digital supply chain, and consolidated domestic capacities. Predictive analytics, interoperable data systems, and real-time tracking digital tools can help enable producers to anticipate disruptions and act before they occur instead of resolving them afterward. According to Department of Commerce, Ministry of Commerce and Industry, GOI (n.d.), to reduce the costs, shorten the clearance time, and increase competitiveness, the Government of India (GOI) is undertaking wide-ranging trade facilitation by digitalization (National Single Window System, e-Sanchit), cutting down compliance (Jan Vishwas Act), enhancing infrastructure (PM GatiShakti), and providing export incentives (RoDTEP, PLI schemes), all per the WTO Trade Facilitation Agreement (TFA). The significant reforms that were made are easing of customs (SWIFT, RMS), paperless trade, and export hubs of MSMEs, which have spurred a major change in the ranks of India in terms of Trading Across Borders.
5. **Establishing South-South Supply-Chain Corridors:** Lastly, global fragmentation opens possibilities of new South-South production and logistics corridors. The complementarities of India with its African, Middle East, and Southeast partners have the potential for a joint value chain in pharmaceuticals, clean energy, agro-processing, and light manufacturing. These corridors can lessen over-reliance on just one place while sustaining development performance throughout the Global South.

In conclusion, we must admit that international trade has been redefined by global supply-chain disruption. In the case of India, it has no option but to respond defensively or react ad hoc. It should be forward-looking, planned, and strategically balanced between domestic capacity and diversification, a resilient but competitive approach, and national interests, along with cooperation at the international level. When implemented properly, the Indian supply-chain response to the global disruption can achieve more than risk mitigation. It will be able to reposition the nation as an ally in a fragmented international economy, as

a committed manufacturing and logistics provider, boosting economic stability and contributing to a more robust and multipolar economic order.

Author Biography

Hebatallah Adam is a Senior Fellow at the Jindal India Institute. She is a Professor of Economics and Associate Dean for Doctoral Studies at the Jindal School of International Affairs, O.P. Jindal Global University.