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The Future of India–US Tech Supply Chain Security Cooperation

Nishant Rajeev

RSiS S. RAJARATNAM SCHOOL OF INTERNATIONAL STUDIES
Nanyang Technological University, Singapore

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KEY TAKEAWAYS

- *Reindustrialisation and reshoring have emerged as key themes in the Trump administration's technology and foreign policy efforts.*
- *India benefited immensely from previous US efforts to "friend-shore" supply chains. But the new reshoring effort by the Trump administration may pose challenges for India–US tech cooperation.*
- *Ultimately, India's ability to align with and leverage US policy direction will be determined by more than just US intentions; it will depend on continued financial incentives and policy and regulatory reforms to draw US investments into India.*

COMMENTARY

The Trump administration has adopted a different approach from its predecessor on both domestic technology policy and international technology cooperation. On some issues, its approach has been marked by closer convergence with Silicon Valley, notably in pursuing deregulation to support innovation. But elements from Trump's MAGA ("Make America Great Again") wing have shown strong support for more populist measures. They have been vocally supportive of industrial policy and reshoring supply chains.

Internationally, the Trump administration launched the "Pax Silica" initiative on 11 December 2025, which brought together eight countries that participate in the global AI supply chain and "guest contributions" from four more participants. The newly appointed US ambassador to India, Sergio Gor, announced that India would be invited to join the initiative in February 2026.

India's initial exclusion surprised some as India and the United States, despite their current trade dispute, have committed to a robust technology cooperation agenda. How then, does the MAGA technology agenda align with India's? And how much will alignment or divergence affect technology cooperation between the two countries?

While convergence between the Trump administration's vision and India's own objectives will be beneficial to bilateral tech cooperation, other domestic factors can also impact and shape cooperation. The United States' ability to reshore supply chains is not guaranteed; manufacturing investments are determined by more than federal government preferences; they require concerted policy interventions and coordination by the US government to incentivise companies to channel production domestically. Shortfalls in this regard can create opportunities for India to continue to play a positive role in helping the United States divert tech supply chains away from its key competitor, China.

US–India technology cooperation will not only be driven by an alignment in priorities but will also be shaped by domestic policies. *Image source: Wikimedia Commons.*

India–US Cooperation on Technology Supply Chains

Under the Biden administration, India and the United States converged strongly on technology cooperation. The United States was keen to "friend-shore" several of its supply chains, relocating them away from China. The administration stressed that security and resilience would not be compromised by considerations of economic efficiency alone. India was identified as a key partner in this effort. India was also identified as a huge market for technology products, one which the United States did not want China to dominate. Thus, the United States has applied pressure on India to exclude certain Chinese products, such as Huawei, from key sectors in India's future 5G infrastructure.

For India, the global efforts to relocate or friend-shore supply chains were seen as an opportunity. India could potentially attract investments into the country to generate employment and develop a manufacturing base. Moreover, this trend came at a time when India itself began to recognise the security implications of economic dependence on China. The convergence of US and Indian interests set the stage for cooperation.

Bilaterally, the two countries launched the initiative on Critical and Emerging Technologies (iCET) to streamline cooperation. Under iCET, the US government not only supported the relocation of manufacturing capabilities to India but also provided assistance for R&D collaboration between the two countries. The two governments

undertook comprehensive reviews and discussions on policy, regulatory and infrastructure opportunities and challenges to relocate semiconductor supply chains to India. But most consequentially, the Indian government provided financial incentives to lure manufacturing facilities to India. US semiconductor giants Micron and GlobalFoundries have since inked deals to establish OSAT (outsourced semiconductor assembly and test) and design facilities in India, respectively. Indian semiconductor companies are also now increasingly playing a role in US national security requirements. 3rd iTec, an Indian company that offers advanced semiconductor solutions, has recently partnered with US Space Force and US Air Force Research Laboratory to develop sensor technology for space imaging and defence applications. Apart from semiconductors, India and the United States agreed to expand cooperation in areas like renewable energy, biotechnology and next-generation telecommunications technology. While the two governments facilitate cooperation through bilateral and minilateral formats, the decision to invest is ultimately taken by private companies.

Under US President Donald Trump, India and the United States looked to expand much of this cooperation. The two sides upgraded the iCET initiative into the "TRUST" initiative. TRUST expanded cooperation on a range of issues, including AI ecosystems and critical mineral cooperation.

Trump Administration and Technology Cooperation

The second Trump administration is curating its own approach to technology policy. With support from the tech entrepreneurs of Silicon Valley, it has aggressively pursued deregulation to facilitate innovation. In other domains, the administration has deployed a heavy-handed, interventionist approach, which some analysts have labelled "state capitalism".

One prominent line of effort has been the shift from friend-shoring supply chains towards reshoring to bring back manufacturing capacities to the United States. The goal, according to administration officials and the populist-right's policy analysts, is to support both economic and supply chain security as well as the American working class. In their view, the American working class has suffered as a consequence of the liberal internationalist economic agenda that relocated supply chains out of the United States, predominantly to China. Reshoring can bring back these jobs. The US National Security Strategy 2025, in fact, has identified reshoring and reindustrialisation as key objectives. US Secretary of State Marco Rubio has specifically highlighted the need for a "federally convened, privately funded cooperative" that will lead US efforts to rebuild rare-earth mineral mining and refining capacities. He has also called for deregulation to facilitate competitiveness, giving more agency to private companies.

Some of these ideas are reflected in the Pax Silica initiative. The broad objectives of the initiative are to reduce coercive economic dependencies, secure global tech supply chains and protect sensitive technologies. Pax Silica, it is hoped, will bring together important stakeholders and facilitate "long-term offtake agreements", "joint ventures and strategic co-investment" and "expand productive capacity across partner economies".

What does this imply for India? On the one hand, an industry-led initiative may pose challenges for India. India lacks domestic companies or domestic capabilities in mining and refining to effectively participate in rare-earth supply chains. The semiconductor ecosystem is nascent in India and still needs time to mature. The bright spot for India is in AI. India is home to several AI startups that can potentially participate in tech cooperation initiatives with the United States. Thus, India currently lacks domestic capabilities at the high end of global value chains. This makes it unlikely that it will contribute greatly to any US efforts to reindustrialise its economy.

On the other hand, there is a limit to the degree to which the United States can reshore manufacturing. Under the CHIPS and Science Act, the Biden administration supported reshoring by providing subsidies and financial incentives to companies that set up shop in the United States. But the United States still faces key structural challenges in establishing a domestic manufacturing base. New Delhi was thus able to capitalise on global trends by aligning its domestic policies to support players investing in the country. The central and state governments have offered financial incentives and are taking steps to overcome previous infrastructure deficiencies like unstable power supply and unavailability of industrial grade water. Coupled with the availability of local talent, this made India a strong contender for friend-shoring, especially in an industry-led effort. Thus, investments by Western tech companies into India have remained high despite US–India tensions.

The current geopolitical "push and pull" around supply chains is favourable to India. The concerns over China have forced companies across the world to relocate sections of the supply chain and make them resilient. India's inherent domestic advantages and policy incentives have brought companies and investments to the country. Given challenges to reshoring in the United States and India's already growing role in global supply chains, India is likely to remain a key partner for the United States moving forward. India's inclusion in Pax Silica, albeit belated, highlights this growing role.

Nishant Rajeev *is a Senior Analyst with the South Asia Programme at the S. Rajaratnam School of International Studies (RSIS).*

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