

Donald Trump, US president
We have taken the toughest-ever action to crack down on China's unfair trade actions and trade abuses

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INDIA'S STRATEGIC MOMENTS IN US-CHINA TUG-OF-WAR

AMERICA-CHINA RELATIONS ARE WITNESSING A CONFRONTATIONIST-COMPETITIVE SHIFT.

INDIA MUST PLAN TO TAKE ADVANTAGE OF ANTI-CHINESE MEASURES THE USA IS INTERNATIONALISING



Jagannath Panda

It is no more just "trade friction" or a "trade war" between the United States and China. Rather, it is becoming clear that the US-China relations witnessing a power rivalry that is very much deliberate, different from their usual Cold War rivalry. The ramifications of this new rivalry will affect every system, sectors and countries in some form or the other. This is due to the structural linkages that the US and Chinese economies enjoy with the global financial and political system. How should India view and respond to this growing power rivalry between them?

India's choices are plenty. However, India must exercise caution while responding to this tug-of-war. No matter how institutionalised the US-China relationship currently is and how significant the economic ties are for global economic stability, their intensifying trade conflict is likely to strengthen further. New flashpoints are emerging, moving from economic and security aspects to balance of power in times to come.

It is evident that the US-China relationship will not return to their "old status quo" immediately. Indeed, a consensus seems to have been arrived in Washington policy circles that no matter who reigns in the White House, the American world

will not be seen as compromising to its prime global competitor, China. The US-China ties is witnessing a shift to one that is more confrontationalist-competitive. India must plan to take advantage of the "anti-Chinese" measures that the US is internationalising through its current trade war without making an obvious anti-China posture in view that trade imbalance between the two countries. Already a number of spheres of influence are likely to emerge to which India should carefully aim to position its leverage.

First, a new momentum could be built in India-China relations, mainly in the economic domain. The Chinese leadership should be made to realise that China's global rise is not an exclusive phenomenon, and should not be at India's expense as a regional and global partner. Beijing must revisit its arrogant approach towards India. There are encouraging signs already though, with the Chinese Embassy spokesperson, Ji Rong stating that "China and India need to deepen their cooperation to fight trade protectionism". China has stated multiple times over the last decade, it is yet to be finalised on how to fight a trade protectionism. India, on the other hand, has a range of economic issues, from bilateral to multilateral, need to be discussed. India and China should should focus to strengthen the Strategic Economic Dialogue,

Financial Dialogue and the India-China Joint Economic Group (JEG) meeting. These dialogue must bring global substance to India-China relations. Second, bilaterally, India must aim to address the trade imbalance between the two countries. Already a good momentum has started in India's favour with China reducing non-tariff barriers on non-Basmati rice, and also removing import duties on anti-cancer pharmaceutical products. The issue, however, should be attended keeping in view that trade imbalance might grow further when India and China emerge as de facto free trade agreement (FTA) partners post the Regional Comprehensive Economic Partnership (RCEP) negotiations. Multilaterally, India needs a concentrated dialogue with China to have a better interaction within the framework of emerging economies. The American allegation against Beijing might be that China is taking undue advantage of the global governance structure as a developing economy while its economy has grown substantially developed. For India however, it makes sense to treat China as a developing economy partner to serve its interests from climate change to energy and global financial institutions. Besides, the India-China multilateral interaction in financial institutions has grown post-BRICS formulation, particularly with the emergence of the New Development Bank (NDB) and Asia Infrastructure Investment Bank (AIIB). Still, the emerging economies need a better

space in the classical Bretton Woods institutions, in terms of better representation and securing better voting rights. India needs to strike a deal with China on this. Third, Trump's trade war with China is not all about tariffs, or aluminium, cars or steel products. It is connected to a range of other issues relating to China's ever-growing linkages with the global supply chain and governance structure. The real US target is, therefore, to soften China's attitude towards global accountability, transparency and remove barriers for foreign companies competing with China's domestic market. The eventual aim is to check the Chinese technological advancement through "Made in China 2025", which would primarily threaten US supremacy in technology and global operations.

Donald Trump has imposed tariffs worth \$200 billion on China imports.

About half of Chinese imports to the US have an additional 10% duty, while China has, so far, retaliated with tariffs on US goods worth \$110 billion.

The International Monetary Fund has cut its global economic growth forecast for 2018 and 2019 to 3.7% based on US-China trade war's impact on emerging markets.



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"Made in China 2025" is an ambitious state led industrial policy initiative launched in 2015, which seeks to gain dominance in global high tech manufacturing. The aim is to reduce its dependence on foreign technology, promote domestic manufacturers and play a major role in global trade.



China's global rise is not an exclusive phenomenon, and should not be at India's expense. Address the trade imbalance between the two countries. Strengthen anti-China measures globally that is threatening Indian interests.

To disrupt the progress of the Belt and Road Initiative (BRI) execution.

The BRI is an ambitious effort to improve regional cooperation and connectivity on a trans-continental scale. The initiative aims to strengthen infrastructure, trade, and investment links between China and some 65 other countries that account collectively for over 30 per cent of global GDP, 62 per cent of population, and 75 per cent of known energy reserves.

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India-China Bilateral Trade Over 10 Years

Year	Import	Deficit	Export
2007-08	\$27.1 billion	\$16.2 billion	\$10.9 billion
2008-09	\$32.5 billion	\$23.1 billion	\$9.4 billion
2009-10	\$39.8 billion	\$19.2 billion	\$11.6 billion
2010-11	\$43.5 billion	\$23.9 billion	\$14.2 billion
2011-12	\$55.3 billion	\$37.2 billion	\$18.1 billion
2012-13	\$52.2 billion	\$38.7 billion	\$13.5 billion
2013-14	\$51 billion	\$36.2 billion	\$14.8 billion
2014-15	\$60.4 billion	\$48.5 billion	\$11.9 billion
2015-16	\$61.7 billion	\$52.7 billion	\$9 billion
2016-17	\$61.3 billion	\$51.1 billion	\$10.2 billion
2017-18*	\$62.2 billion	\$52.9 billion	\$10.3 billion

*Source: Ministry of Commerce. Data are for April 2017 - January 2018

that is threatening Indian interests. India could expedite regional and global understanding on pressing issues like connectivity and investment infrastructure with the US and other partners such as Japan to balance out China's outreach, mainly arising from its Belt and Road Initiative (BRI). Strong global activism required to question China's non-transparent project executions across the Indian Ocean Region (IOR) and beyond, mainly in Africa. The African world needs to be taken into greater confidence by powers such as India, the US and Japan for which a "great power" coalition is required. A proposition like the Asia-Africa Growth Corridor (AAGC) between India and Japan should be nurtured. Trump's National Security Strategy (NSS) paper calling China a "re-

visionist" power has much subtlety. The Americans are aware that if BRI succeeds, it will not only strengthen the Chinese economy but also amplify the rule of the Communist Party of China (CPC). Therefore, one of the main intents behind Trump's trade conflict is to disrupt the progress of the BRI execution. This must encourage India to better posture itself in the Indo-Pacific coalition and protect its commercial and strategic interests without antagonising China. Mingling away from non-alignment has been prudent for India, enabling it to take advantage of both the American-led "Washington consensus" and the Chinese led "Beijing consensus". India must, however, realise that the US is not only in a dispute with China, but with its alliance partners as well, including the European Union, Mexico, Russia and Canada. This must impart India to not put all its eggs in the same basket but widen its economic trade linkages. India's recent decision to go ahead with Moscow on the S-400 despite US pressure through CAATSA signifies the openness of India's pluralistic foreign policy. New Delhi's association with both Russia and China within and outside the SCO structure needs to be strengthened and diversified. India needs to seek cooperation with the EU in new light. In brief, the US-China ongoing rivalry is largely a post-Cold War inheritance: China is trying to establish a new international system while the United States wants to preserve its supremacy over both the international system and the world. It is time for India to not just look beyond the US-China prism, but act on strengthening that stance.

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India must evolve better relations with democratic states



Sandeep Gopalan

The Indian Ocean's vital role for commercial and economic prosperity for our region has assumed a renewed importance in recent years with the escalation in competition between two dyads of states: India-China and China-US.

For too long the Indian Ocean has been an afterthought in geopolitics as other theatres presented more clear danger to the strategic interests of the great powers. Over the last two decades, the Indian Ocean is gaining recognition as the key to peace in the Asian Century — over 60 per cent of the world's oil trade follows through the Indian Ocean and it hosts some of the most populous countries on the planet. To be sure, there has been more talk than action in the Indian Ocean region, the fragmented nature of state interests, and limitations of capability are all inhibiting factors for drastic change.

Recent actions by the US and China may be altering that status quo. China has been rapidly expanding its maritime capability beyond its immediate neighbourhood to project power into the Indian Ocean. It has opened or is planning to open bases in Djibouti, Gwadar (Pakistan), Hambantota (Sri Lanka), Chittagong (Bangladesh), and Tanzania.

Clearly, China's plans must incorporate military power beyond the building of naval bases in the guise of "logistics" or "commercial" facilities — any naval force has to be supported by substantial air force assets. In addition, China's undersea capabilities are vastly inferior to that of the US currently — these would need to be enhanced substantially before engaging in a conflict in the Indian Ocean.

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Before him, and at last devours them all at a mouthful, such whales have I heard on o' the land, who never leave gaping till they've swallowed the whole parish, church, steeple, bells, and all.

These words could apply equally to modern Indian Ocean affairs. Rules are necessary to ensure that the "great ones" don't just "eat up the little ones". The rules are necessary to ensure freedom of navigation because without it there is no trade or energy security. Sri Lanka PM Ranil Wickremesinghe must be commended for his initiative in seeking to develop a code of conduct for the Indian Ocean.

Second, Indian Ocean states must build trust. Indian Ocean issues transcend the individual capabilities of any country. Climate change, pollution, exploitative resource extraction hurt all states. Maritime terrorism, human trafficking, money laundering, and corruption transcend borders and threaten peace everywhere. These issues can only be tackled by states working together beyond nationalism, invoking historical ties that can be modernised.

Third, Indian Ocean cooperation must go beyond states into sub-governments, creating constituencies for cooperation. For instance, educational links between universities in the Indian Ocean are needed. Governments could harmonise credit recognition systems and fund scholarships for Indian Ocean students to pursue short-term study opportunities across the region. Australia's New Colombo Plan offers a model.

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Sandeep Gopalan is the Pro Vice-Chancellor (Academic Innovation) at Deakin University, Melbourne, Australia.

