

# A STRATEGIC DEALING WITH CHINA

Relevant for: International Relations | Topic: India - China

On July 2, an article in *The Economist* was headlined [\*Hit Them Where It Hurts Us: India has few good ways to punish China for its Himalayan land-grab\*](#). It argued that “most economic sanctions would harm India, too”. Instead of taking knee-jerk, retaliatory decisions against China following border flare-ups, India should consider joining the rest of the world in reining in China and calling it out for its worst excesses.

Consider this: Chinese venture capitalists have poured in more than \$8 billion into some of India’s most successful startups. China supplies many goods and services that India needs, and will continue to need. While India relies heavily on imports from China, a smaller portion of China’s imports are from India.

Data | [Is an economic boycott of China feasible for India?](#)

Further, the timing of the economic decoupling with China that India is attempting could not have come at a worse time. The Indian economy, which was faring badly even before COVID-19 struck, is badly affected by it. The pandemic is showing no signs of abating. The situation is not going to get any better over the next few quarters unless India takes pragmatic steps to overcome these challenges. On the economic front, India must re-engage with China economically even as it confronts it militarily.

In fact, China itself provides lessons on this strategy. China claims Taiwan as its own territory and sometimes threatens invasion. In August, a top official from Taiwan said that Taiwan faces an increasingly difficult position as China pressures it to accept conditions that would turn it into the next Hong Kong. But China remains the top destination for Taiwan’s exports and outbound investment. Trade between the China and Taiwan has remained strong over the past four years. The Taiwanese firm Foxconn, for instance, makes almost all the iPhones that the world buys from factories in China.

Similarly, tensions simmer between China and its largest trading partner, the U.S., but that doesn’t stop China from continuing to do business with the U.S. Tesla’s massive car and battery plants are coming up in China and American farmers still sell soya to China, though U.S. soybean exports to China have fallen.

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The European Union, China’s second largest trading partner, continues to be robustly engaged with China. A recent report by the Norwegian logistics firm Tschudi bared the surprising extent of overland trade facilitated by rail links established with Europe by China as part of its Belt and Road Initiative (BRI). On this, a report of the China Railway Corporation, cited by Tschudi, makes a telling point that “in the first half of 2017 more than 3,000 container trains” ran “between the two continents since the start of 2017 exceeding the total for the previous six years combined and serving 35 cities in China, with 34 destinations in Europe”.

Unlike India, which has been talking for years about establishing road and rail connectivity with its immediate neighbours and even Southeast Asia but doing little about it, China’s ambitious BRI is a vision that is being realised in quick time. This has now reached India’s doorstep and is bad news for India.

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The Brookings Policy Brief of May 2020 titled [India's limited trade connectivity with South Asia 2020](#) details how “after 2005, China has consistently increased its trade with South Asia”. It says, “Defying the logic of proximity, most of India’s neighbours are now largely reliant on China for their imports.” India in fact is in danger of becoming a bit player in its own backyard.

China under President Xi Jinping is strategic. Mark Leonard, the Director of the European Council on Foreign Relations, elaborated on the depth of debate and discussion that goes into Chinese policymaking in his 2008 book *What Does China Think*. The Chinese American economist, Yukon Huang, makes the same point in far greater detail in *Cracking the China Conundrum*. India should listen to these voices and not react in a knee-jerk manner with China.

*Uday Balakrishnan, a former visiting fellow at NIAS, CEU Budapest and CCS-IISc has taught at IISc Bengaluru*

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