

STATES OF MATTER

# Watch thy neighbour

Military tactics aside, India's response to the Galwan face-off with China could lead to economic and diplomatic ripples in the region



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**Let's do this together** Many believe that India should build a collective resistance, with strategic overtures towards China's restive neighbours such as Taiwan, Vietnam and South Korea  
PTI/SWAPAN MAHAPATRA

In global strategic circles, India's recent border clashes with China in eastern Ladakh have been read as signal that it has chosen sides in the "New Cold War". The aftermath in India, particularly after the mid-June clash in which 20 soldiers were killed, was the familiar frisson of overheated rhetoric and confused and contrary claims.

India has since moved substantial military formations into defensive positions along the Line of Actual Control with China, but deployment into more aggressive postures is seen to involve unacceptable risks. Meanwhile, strategic analysts and media commentators have proposed a variety of economic and diplomatic counter-measures.

Among the options rather demonstratively urged in street protests and noisy prime-time cacophonies is a business and consumer boycott of China. Alongside, India is urged to organise a collective resistance, with strategic overtures towards China's restive neighbours, such as Taiwan, Vietnam and South Korea. Bonding with Taiwan, which China perceives as a "renegade province", could prove particularly fruitful, since it is guaranteed to raise hackles on the other side.

India's propositioning of Taiwan for an alliance would seem rather ironic. In comparison to India's disputes with China, which are about mostly uninhabited territories peripheral to their vast land-masses, the issue between Taiwan and China is little less than existential. Both countries claim the entirety of the other as part of its sovereign territory. And despite being decidedly the weaker side in this dispute, Taiwan has not hesitated to follow a strategy of vigorous economic engagement with China.

Taiwan's official government website proudly declares that it today is "one of the biggest investors in China". And the figures are substantial. Between 1991 and the end of February 2019, the volume of "approved investment" from Taiwan in China involved over

43,000 specific cases with a total value of over \$183 billion. The value of trade between the two countries in 2018 was \$150.5 billion. And over the year, travellers from China "made 2.66 million visits to Taiwan".

Clearly, for all its dramatic growth, the scale of economic interaction between India and China is dwarfed by the depth of bonding between Taiwan and the East Asian giant. Taiwan and the Asian tigers – South Korea, Hong Kong and Singapore – were beneficiaries of the first wave of offshoring of investment and manufacturing from the US in the 1970s and '80s. When China began a tentative entry into the global economy in the '80s, it proved a most congenial investment destination for surpluses the tiger economies had accumulated from their trade across the Pacific. When the second phase of US manufacturing offshoring began in the '90s, China was well primed to be its principal beneficiary.

The tension spawned by the growing imbalance of that relationship is a principal driving force in today's politics. Earlier US administrations, particularly when headed by Democrats, sought to draw China into a partnership based on shared interests. Some of the early, rather wide-eyed prognoses, came from the historian Niall Ferguson, who coined the term "Chimerica" to describe his vision of a world structured in accordance with a new imperial logic of US and Chinese partnership.

Early hopes that a global order – a Pax Chimericana to follow the Pax Americana – could be constructed on these foundations did not take long to fade. The US could live with growing economic imbalances abroad, since its power of seigniorage over the global reserve currency enabled it to write promissory notes to the rest of the world. But imbalances within, sharpened over four decades of relent-

less fiscal indiscipline, have created endemic forms of social and economic conflict. It is in the nature of things, with the US unwilling to retreat from its pathway towards new deficit records every year, for the "externalisation" of this conflict. That could take the form first of a trade war with China, followed by an active phase of strategic manoeuvre that revives the Cold War playbook.

For India, confronting Chinese military might is a forbidding prospect. A greater challenge still would be neutralising the power of the 3 trillion dollar reserves that China has accumulated over the years. India's strategy of trying to needle the giant in its own restive neighbourhood, while ignoring essential relationships in its own, may not be the most prudent.

In recent years, India has been watching the ingress of Chinese economic influence into its near neighbourhood with some alarm, while doing everything possible to squander its own soft-power advantages. This mindless machismo was evident in India's insistence on maintaining a dogged vigil over territory ostensibly ceded to the East India Company by Nepal back in 1814.

Nepal's defiance in publishing a map asserting its own territorial claim drew the disdain of India's strategic commentariat and menacing threats to push aside the recalcitrant regime and create a more compliant dispensation.

Paying back a perceived expansionist power by borrowing from its book of rules is a formula for an escalating confrontation that is unlikely to benefit either side. Neither are the hapless neighbours trapped in the crossfire likely to emerge unscathed.

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