

Institute of Chinese Studies

WEDNESDAY SEMINAR

*Between Positive and
Negative Interdependence:
India's Dynamic Amidst
the US-China Rivalry*

EXECUTIVE SUMMARY

Speaker:
Vivek Y. Kelkar

8 January 2025

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Speaker: Mr. Vivek Y. Kelkar, Independent researcher; Adjunct Faculty, Indian Institute of Information Technology and Management, Gwalior; and, Visiting Faculty, Indian Institute Management, Indore.

Chair: Prof. G. Venkat Raman, Professor, Indian Institute of Management, Indore; and, Honorary Fellow, Institute of Chinese Studies, New Delhi.

Venue: Zoom Webinar

- The seminar explored the geopolitical and economic impact of the US-China rivalry, paying special attention to India's strategies amidst the same. Prof. G. Venkat Raman spoke about the profound effects of nationalism, tech wars, and trade disputes on global supply chains and trade. In the midst of this conflict, India's multi-alignment strategy faces challenges as it seeks to influence global governance while preserving strategic neutrality.
- In order to explain the strategic challenges that will have influence the structure of global governance, Mr. Vivek Y. Kelkar, raised important points on how India can manage its relations with both superpowers and modify its policies as the world moves toward "weaponised interdependence". Examining these intricate relationships, the speaker emphasised the relevance of security considerations, economic interdependence, and the effects of international market networks.
- The speaker discussed the complexity of trade weaponisation between the US and China, particularly in the context of national strategies that incorporate a range of elements like economic investment, technology innovation, and diplomacy. Power dynamics are evident in the Asia-Pacific region, where China and the US closely monitor each other's actions to safeguard their respective influence and security.
- The speaker highlighted China's importance as a supplier and consumer in the expanding economies of the Asia-Pacific, as well as its substantial position in the

global economy. China's place within global economic structures includes a sizeable portion of manufacturing, trade, and foreign direct investment. The speaker further examined the consequences of these international economic networks, highlighting how they contribute to militarised interdependence by concentrating power and creating challenges for domestic economies.

- In contrast, there is a notable emphasis on the growing US-India ties, driven largely by mutual concerns about China's economic and territorial ambitions, alongside various defence agreements that have emerged over the past two decades.. Despite India's significant bilateral trade with the US, which is poised to grow in various sectors like technology and services, uncertainties arise with the potential for a more sceptical approach under the second Trump Administration,. These uncertainties could be exacerbated by India's reluctance to engage in a formal security alliance.
- The speaker noted that one of India's major challenges is the need to preserve its important agreements and trade benefits with the US while taking a more assertive stand against China, particularly in the Indian Ocean. Regarding India's alliance with NATO, the speaker highlighted the need to understand the idea of "burden sharing", which poses another challenge for India.
- An increasing trade deficit with China is one example of the intricacies of trade relations. India and China have a complex trading structure, which exposes serious weaknesses through skewed import-export dynamics. While imports from China constituted 15% of India's total imports in the fiscal year 2023, exports have remained stagnant at around \$16 billion since 2019. The rising dependency is alarming, as India's industrial imports from China make up 30% of its total industrial imports, with a cumulative trade deficit exceeding \$387 billion.
- These challenges threaten India's aspirations for building a competitive domestic manufacturing ecosystem, especially in emerging technologies, as China accounts for a substantial percentage of India's imports in these critical areas. The Indian economy

remains vulnerable due to its reliance on Chinese imports in critical sectors like fertilisers, solar energy, and automobiles. The growth of Chinese imports in India's automobile industry, particularly in electric vehicles, raises concerns about the effect on local manufacturers and battery development. Overall, the speaker underscored the intricate balance India must maintain amid regional challenges and shifting global power dynamics.

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