



## **CHINA AND ITS NEIGHBOURS: TRADE LEVERAGE, INTERDEPENDENCE AND CONFLICT**

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Trade has traditionally moulded the ways nations established their interactions; on the one hand, it brought regions together- in terms of commerce, culture and politics- on the other hand, it created rivalries in the quest for resources. Civilisations flourished and perished, metropolises created and dissolved- trade forming the nucleus of all these processes. Trade and power were then integrally linked, whereby the location of power was determined by the control over trade. Today, the character of trade has further transformed with neo-liberalism, massive weaponisation- chemical and nuclear, cyber- warfare, robotics etc, forming new interlocking pieces of the jigsaw, where its ability to contain disputes has magnified. This presentation highlights this new character of trade and its role as a determinant of China's foreign relations, especially with its neighbours.

Depending on statistics on imports and exports between China and its neighbours, the presentation tested several variables like export control, size of China's import etc. in order to measure 'economic inter-dependence' and see how it influences the political behaviour of the nations engaged in trade with each other. It gauged the role trade plays in preventing military conflicts from escalating into a full- scale war. The presentation began with the general exposition of the structure of East Asian economies and the size of trade in these economies. It further proceeded to give an account of the IR theories to show how economics is linked to diplomacy and international relations, where the speaker cited for instance, Goodman who states that economics and diplomacy are two sides of the same coin, where if diplomacy can be used to promote economic activities, the latter can be used to shape the political behaviour of countries.

The measurement of import and export variables showed that China's role on the region was of complete dominance with the trade factor skewed in its favour. China's trade relations with all these countries- including Japan, South Korea and India- was balanced in its favour as almost all these countries were heavily dependent on China- be it for its imports of certain goods like Rare Earths or for the huge market that China provided for their exports. Nevertheless, the speaker qualifies that though this never prevented conflicts, it definitely shaped the political behaviour of these countries and prevented these conflicts from escalating into a full scaled war. For instance, Malaysia's compromise on the South China Sea dispute when PLAN (PLA Navy) conducted naval exercises near Zhengmu Reef in South China Sea reflects how the trade imbalance between China and Malaysia allowed China to shape Malaysia's response. The presentation concluded by positing the several implications of the trade leverage China enjoyed- continued assertiveness on political and economic matters- as witnessed in the South China Sea dispute and the declaration of ADIZ, using of trade power as a bargaining chip and more trade interdependence- all of which has made China more powerful.

In the discussion that followed questions were raised on the importance placed on trade in controlling conflict. For instance, it was cited that the knowledge of countries possessing nuclear weapons played an important role in preventing a full- scale war. Yet another intervention cited the role of investments in determining relations between two countries. Another thread questioned the terms "inter- dependence" and "dependence" and how its usage is justified within this context. What emerged towards the end was an impression that trade leverage is only one of the several factors that prevent conflicts from escalating into a full- fledged war, but nevertheless plays an important role in shaping political responses.

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