



2nd India Forum on China @ Goa

7-9 December 2018, Hotel Cidade de Goa, Vainguinim Beach, Goa

‘Changing Drivers of China’s Economy’

Organized by

Institute of Chinese Studies, Delhi and Konrad-Adenauer-Stiftung

In cooperation with Goa University, Goa

DRAFT PROGRAMME

DAY ONE: FRIDAY, 7 DECEMBER 2018

1630-1700 Hours: Registration & Tea/Coffee

1700-1830 Hours: INAUGURAL SESSION

National Anthem

Opening Remarks: **Amb. Ashok K Kantha**, Director, Institute of Chinese Studies (ICS)

Welcome Address: **Mr. Pankaj Madan**, Deputy Head of Konrad-Adenauer-Stiftung, (KAS) - India Office

Keynote Address: **Prof. Ashwani Saith**, Professor Emeritus, International Institute of Social Studies (ISS), Erasmus University, Rotterdam: *Socialism, Pioneer of Capitalism – and Global Power: The Latent Leitmotif of Chinese Development?*

Remarks and Introduction of Chief Guest: **Prof. Varun Sahni**, Vice-Chancellor, Goa University

Inaugural Address by Chief Guest: **Her Excellency Smt. Mridula Sinha**, the Governor of Goa and Chancellor, Goa University (TBC)

1830-1900 Hours: Tea/Coffee Break

1900-2030 Hours: SESSION 1 Structural Rebalancing of China’s Economy

A series of shifts across parameters instituted by President Xi Jinping define the structural rebalancing of China’s economy. The dimensions of rebalancing extend to shifting from external growth drivers to domestic forces, less reliance on investments and greater focus on consumption, lower share of manufacturing and building up services, structural reforms on the supply side, reform of the SOEs, pledge of giving ‘decisive role’ to the markets in the economy, enhanced stress on technology, and shift in geographies from coastal-led growth to revitalizing the hinterland. The session will examine the progress in these parameters, discuss challenges in the Chinese economy

ranging from debt overhang to growth deceleration, and assess how these will play out for India and the world. How successful has China been in grappling with these challenges? Has China's growth story landed it in a 'success trap'? Can China's high growth continue apace or will the Chinese economy slow down? How will China reconcile the two seemingly contradictory guiding principles of a 'decisive role for markets' and the 'dominance of SOEs'? These are some of the questions that may be covered in the session.

Chair: **Amb. Nalin Surie**, Distinguished Fellow, Delhi Policy Group and Former Ambassador of India to China

Speakers:

Prof. Manoranjan Mohanty, Honorary Fellow and Former Chairperson, ICS: *Xi Jinping and China's Success Trap*

Prof. Chen Zhiwu, Director, Asia Global Institute and Victor and William Fung Professor in Economics at the University of Hong Kong: *The SOE Dominance and its Implications for Structure and Directions of China's Economy*

Dr. Arvind Virmani, President, Forum for Strategic Initiative, Former Chief Economic Advisor, Ministry of Finance, Government of India (GOI) and Executive Director, International Monetary Fund (IMF): *China's Growth Deceleration, Tariff War and Future Prospects*

To lead discussion: Prof. Anoop Singh, Member, XV Finance Commission of India and Former Director, Asia-Pacific, IMF

2030-2130 Hours: Dinner Reception

DAY TWO: SATURDAY, 8 DECEMBER 2018

**0900-1045 Hours: SESSION 2
Xi Jinping's Innovation-Driven Development Strategy**

China's determined focus on attaining global leadership in innovation, science and technology, and research and development is aimed at strategically developing and commercializing its advanced technology engagement. The innovation-driven development strategy is a personal passion of President Xi Jinping, comprising of diverse programs such as the 13th Five-Year Plan which outlines major S&T innovation projects for 2030; Made in China 2025 which identifies ten strategic industrial sectors; the AI 2.0 project which seeks to position China as the world's primary AI innovation center by 2030; civil-military fusion; and other R&D programs. China's ambitious state-led strategy in the technology sector has also led to concerns about the pursuit of an 'industrial policy' and triggered a measure of pushback by the USA and others. In this session, speakers will outline the contours of this rapidly evolving strategy and explore its impact and implications for India and other countries and the global economy and strategic landscape. It may also throw open questions such as: Can China innovate successfully notwithstanding perceived constraints linked to the nature of its polity and system? To what extent is technological advancement tied up with Xi Jinping's political

position? How prominent is the element of techno-nationalism in China's innovation strategies? To what extent is China dependent on foreign sources of technology in its drive to innovate? What are the implications of innovation and technology in China's military modernization?

Chair: Mr. Ravi Bhoothalingam, Honorary Fellow and Treasurer, ICS

Speakers:

Prof. Krishna G Palepu, Ross Graham Walker Professor of Business Administration, Harvard Business School, Harvard University, USA: *Can China Innovate?*

Amb. Anil Wadhwa, Former Secretary (East), Ministry of External Affairs and Former Ambassador of India to Italy, Thailand, Poland, Oman: *Made in China 2025 - Is it on Track?*

Lt Gen. (Dr.) S L Narasimhan, Member, National Security Advisory Board, GOI, Director, Centre for Contemporary Chinese Studies, New Delhi: *Innovation and Technology in PLA's Modernisation*

Dr. Manoj Joshi, Distinguished Fellow, Observer Research Foundation: *China's Technology Imperatives*

To lead discussion: Mr. Santosh Pai, Partner, Link Legal India Law Services and Adjunct Fellow, ICS

1045-1115 Hours: Tea/Coffee Break

1115-1245 Hours: SESSION 3

China's Economy in Transition: Sectoral and Spatial Dimensions

This session will continue discussions on the ongoing transitions in the Chinese economy, looking at structural balancing, changes and challenges in the provincial-level dynamics. What is the scorecard on China's structural rebalancing? To what extent do GDP growth targets incentivize over-investment by provincial authorities and impede structural rebalancing? What would a slower rate of growth imply for the legitimacy of the CPC and Xi Jinping? What's the salience of civil-military fusion in China's growth strategy? These are some of the questions that may be covered by panelists in the session.

Chair: Prof. Ashwani Saith, Professor Emeritus, ISS, Erasmus University, Rotterdam

Speakers:

Prof. Anoop Singh, Member, XV Finance Commission of India and Former Director, Asia-Pacific, IMF: *Status and Challenges of China's Structural Rebalancing*

Prof. Arthur Ding, Professor Emeritus, National Chengchi University, Taipei: *Nexus of National Security, Technology, and New Growth Model of Civil-Military Integration*

Dr. Jabin T Jacob, Associate Editor, *China Report*, Adjunct Fellow, National Maritime Foundation: *Chinese Provinces and Development Strategy: Innovation, Rebalancing and Globalization*

To lead discussion: Amb. Ashok K Kantha, Director, ICS

1245 - 1345 Hours: Lunch

1345-1515 Hours: SESSION 4
Belt and Road Initiative in Europe & Eurasia

Launched in 2013 by President Xi, the Belt and Road Initiative (BRI) was envisaged to meet multiple objectives of building infrastructure overseas, deploying excess Chinese industrial capacity, and linking inland China with new growth geographies, as well as more strategic goals of expanding China's regional and global footprint and influence. Five years on, the model appears to be evolving in unforeseen ways. The session will explore the BRI's significance as an external growth driver for China and could possibly explore questions such as: Can China and Russia 'synergize' the BRI and the Eurasian Economic Union? How are the perceptions about the BRI changing in Europe? Is the BRI sustainable as a model? What role is the BRI expected to play in generating business for China's construction companies and in utilization of its excess capacity? What are the implications for India of these developments?

Chair: **Amb. Shyam Saran**, Member, Governing Council, ICS, Senior Fellow, Centre for Policy Research, Former Foreign Secretary and Prime Minister's Special Envoy, GOI

Speakers:

Amb. P S Raghavan, Convenor, National Security Advisory Board, India, Former Ambassador of India to Russia: *Xi's BRI Meets Putin's Greater Eurasia: Implications for India*

Prof. Aleksei Maslov, Director, Faculty of World Economy and International Affairs / Head, School of Asian Studies, Higher School of Economics, Moscow: *Eurasian Initiatives vs. Belt and Road: Sustainability of Chinese Model*

Prof. Christian Wagner, Senior Fellow, German Institute for International and Security Affairs (SWP), Berlin: *European Perspective and the Changing Discussions on the BRI*

To lead discussion: **Ms. Suhasini Haidar**, Diplomatic Editor, *The Hindu*

1515-1545 Hours: Tea/Coffee Break

1545-1730 Hours: SESSION 5
Belt and Road Initiative in Asia and Africa

This session will take stock of the BRI five years after its launch, looking at its progress, challenges and prospects, with special reference to the China Pakistan Economic Corridor (CPEC), its flagship project, and the experience of the ASEAN countries and Africa. What's the status of the BRI in Asia and Africa five years after its launch? Is there a growing pushback to the BRI in the developing world? Has South-South cooperation in the form of BRI initiatives in Africa prompted changes in North-South cooperation? How should alternatives to the BRI be formulated in order to facilitate greater competition in the global market for infrastructure? How does one ascertain

whether a military-strategic element exists in a particular type of infrastructure project? What are the drivers of the CPEC and its likely future trajectory? Questions such as these may be brought up during the session.

Chair: Prof. Alka Acharya, Professor, Centre for East Asian Studies, SIS, Jawaharlal Nehru University, Honorary Fellow/ Former Director, ICS

Speakers:

Dr. TCA Raghavan, Director General, Indian Council of World Affairs and Former Ambassador/High Commissioner of India to Pakistan and Singapore: *CPEC: New Wine in New Bottles*

Amb. Kishan Rana, Emeritus Fellow, ICS and Former Ambassador/High Commissioner of India to Algeria, Czechoslovakia, Kenya, Mauritius, Germany: *BRI in Asia & Africa: A Mixed Bag*

Prof. Jamie Monson, Director of African Studies, Michigan State University: *China's Belt and Road Initiative in South-South Development: Lessons from Africa*

Dr. Thai Viet Tran, Director of the Center for Regional and Foreign Policy Studies, Institute for Foreign Policy and Strategic Studies, Diplomatic Academy of Vietnam: *Five years of BRI and its Prospects in the New Context*

To lead discussion: Dr. Garima Mohan, Research Fellow, Global Public Policy Institute (GPPi), Berlin

1930-2100 Hours: Dinner hosted by Prof. Varun Sahni, Vice-Chancellor, Goa University

DAY THREE: SUNDAY, 9 DECEMBER 2018

0900-1030 Hours: SESSION 6
Unfolding Economic and Strategic Contestation: China and the USA

President Trump has taken on the Chinese trade juggernaut and imposed additional tariffs on \$34 billion of imports from China in July, adding a further \$16 billion import list in August, and escalating with tariffs on \$200 billion in September. There are now increased tariffs of between 10% and 25% on US imports of \$250 billion from China, with plans for increasing tariffs to 25% for all those imports. Trump has also talked of levies on another \$267 billion in imports from China “ready to go on short notice”. China has retaliated with tariffs on up to \$60 billion of imports from the US. This intensifying trade dispute is more than about trade; it is also linked to a broader strategic competition between China and the USA. Maintaining control and leadership over high-end technology trade is emerging as a key frontier in this strategic contestation. No early resolution of these differences is on the horizon, though some hope for a ‘truce’ has been generated with the meeting planned between Trump and Xi at G-20 summit in Buenos Aires on 30 November. The ripple impact of these developments on global trade and supply chains as also on the strategic context will be significant. The session will discuss the ramifications and the likely trajectory of this “economic war” and escalating strategic rivalry between China and the USA. A few of the questions that may be

explored during the session include: How will this escalating tussle impact China's economic restructuring? What kind of punishment is China likely to inflict on US firms doing business in China if there is no 'truce' in its trade war with the USA? Will the broader strategic rivalry between China and the USA continue to escalate even if there is some forward movement on their differences on trade and economic issues? Have we entered a qualitatively new phase in the Sino-US relations? Is China challenging the 'liberal order'?

Chair: Dr. Jayant Dasgupta, Former Indian Ambassador to WTO and Former Trade Negotiator, GOI

Speakers:

Prof. Yih-Chyi Chuang, Distinguished Professor of the Department of Economics at National Chengchi University, Taipei, Taiwan: *The US-China Trade War and China's Economic Restructuring*

Prof. Heribert Dieter, Senior Associate, Global Issues, German Institute for International and Security Affairs, Berlin: *The Inevitable Confrontation: China's Contest of the Liberal Economic Order*

Dr. V S Seshadri, Former Ambassador of India to Myanmar and Slovenia, Senior Trade Negotiator, GOI: *China and the US: Exploring the Trade Dimension and the Outlook*

To lead discussion: Prof. Jamie Monson, Director of African Studies, Michigan State University

1030-1100 Hours: Tea/Coffee Break

1100-1230 Hours: SESSION 7

China's Role in the Changing Global Growth Paradigm: Implications for India

For three decades now, China has been a global growth driver. While its contribution to global growth remains significant, rebalancing of its economy, its ambitious efforts to craft new external drivers for its economic development and advance its strategic ambitions through Belt and Road Initiative, its determined efforts to emerge as a global technology and innovation leader, its escalating trade and technology differences with the USA, likely changes in the global value chains and conclusion of the Regional Economic Comprehensive Partnership (RCEP) are likely to refashion growth forces of the world and India. The implications of these developments for India will be taken up in this session and questions examined during this session could include: What are the implications for India of the new situation that is emerging as a result of the developments referred to above? How does India deal with security and economic dynamics of its engagement with China in this new situation and under the scenario of increasing capability gap? What would China's growth slowdown and the continued restructuring of its economy mean for India's economy? What effect would the proposed RCEP have on economic interactions between China and India?

Chair: Amb. Deepa Gopalan Wadhwa, Member, Governing Council, ICS and Former Ambassador from India to Japan, Sweden and Qatar

Speakers:

Amb. Shyam Saran, Member, Governing Council, ICS, Senior Fellow, Centre for Policy Research, Former Foreign Secretary and Prime Minister's Special Envoy, GOI: *Dealing with Asymmetry: Balancing Security and Economic Imperatives in India-China Relations*

Mr. Ananth Krishnan, Brookings India: *New Agents of Influence: The implications of 'Going Out 2.0' and China's tech wave on relations with India*

Prof. M Suresh Babu, IIT Madras: *India, China and Global Growth: Some Implications*

To lead discussion: Mr. Siddharth Varadarajan, Founding Editor, *The Wire*

1230-1330 Hours: Lunch

1330-1430 Hours: VALEDICTORY SESSION

Chair: Prof. Varun Sahni, Vice Chancellor, Goa University

Summing up of Deliberations: Dr. Garima Mohan, Research Fellow, Global Public Policy Institute (GPPi), Berlin

Valedictory Address: Amb. Shivshankar Menon, Chairman, Advisory Board, ICS, Distinguished Fellow, Brookings Institution, Former National Security Adviser and Foreign Secretary, GOI: *India and China in the New Situation*

Closing Remarks: Amb. Ashok K Kantha, Director, ICS

Note for Speakers

Proposed timings are as follows:

Keynote and Valedictory Addresses – 30 minutes each

Other sessions:

Opening remarks by Chair – 5 minutes

Opening remarks by Speakers – 10 to 12 minutes

Lead Discussant – 5 to 7 minutes

We hope to keep adequate time for open discussion

CONCEPT NOTE

The India Forum on China @Goa, hosted by the Institute of Chinese Studies (ICS) in collaboration with Konrad Adenauer Stiftung (KAS) and Goa University, is being developed as an annual conference where eminent scholars, practitioners and policymakers hold in-depth deliberations on a topical theme pertaining to China in an Indian setting and keeping in mind Indian perspectives.

The ICS, Delhi and the India Office of KAS had organized the 1st India Forum on China @Goa at International Centre Goa on 15-16 December 2017 in cooperation with the University of Goa to explore the theme of “Deciphering China’s Quest for Global and Regional Leadership”. The 1st IFC @Goa brought together renowned scholars and practitioners from India and abroad to discuss and debate a wide range of issues. Given that it was held shortly after the 19th Congress of the Communist Party of China, the deliberations and outcomes of the Congress too informed the discussions at the Forum.

The 1st Forum explored the relationship between China’s comprehensive national power and its leadership ambitions defined in explicit terms at the 19th Party Congress. Arguments pertaining to China’s ambitious Belt and Road Initiative, its efforts to fashion new institutions like the Asian Infrastructure Development Bank, its growing soft power capabilities and technological prowess, its increasingly expansive definition of the country’s ‘core interests’ as well as nationalistic temperament were considered, along with an examination of the limitations and constraints faced by China in the pursuit of its regional and global aspirations. The geopolitical impact of China’s expanding military capabilities, its evolving security doctrines, and its assertive behavior was examined. The implications of China’s readiness to offer the Chinese path as worthy of emulation by other developing countries were also discussed. The report of the conference can be accessed on the ICS website. (<http://www.icsin.org/uploads/2018/06/01/fad5b80b2279885616349ad4b50101ae.pdf>)

Encouraged by the success of the first forum, the ICS and KAS are now together convening the 2nd India Forum on China @Goa from 7 to 9 December 2017, in partnership with Goa University. As this year marks the 40th anniversary of China's reform and opening up, the theme of the conference is ‘Changing Drivers of China’s Economy’. China’s economic growth has long driven the global economy, boosted global trade, and led its strategic engagement with the world. Domestically, its development strategies have ushered the largest cohort of people out of poverty ever in the world and transformed the lives of its 1.3 billion people. With an economy of \$13 trillion, China is closing in on the world’s largest economy, the US, while assuming the reins as the world’s largest trading nation, manufacturer and foreign exchange reserve holder, among other feats, over the past two decades.

Recognizing that emerging economies are prone to falling into the ‘middle-income trap’ as also understanding the perils of continued fast-paced growth on sustainability of the development process, China embarked on a determined program for structural rebalancing for orderly and managed deceleration since 2013. To study the contours of this evolving scenario and determine its outcomes for the world and India, the 2nd IFC @Goa looks at four broad sub-thematic issues of relevance for India and the world under the rubric of ‘Changing Drivers of China’s Economy’.

Structural Rebalancing of China’s Economy: Progress and Spillovers

The legitimacy of the Chinese Communist Party is pegged to its economic growth. After three decades of accelerated growth, the Chinese development process was increasingly perceived by leaders as unsustainable and unbalanced. Multiple rebalancing efforts have since been introduced, based on a long-term strategic program addressing most sectors of the economy. These include movement from investment to consumption, stressing domestic over external demand, directing coastal-led growth to hinterland hubs, reduction in debt levels, shift from manufacturing to services, enhanced infusion of technology and R&D, and so on. A key intention was also to reduce the role of state owned enterprises (SOEs) and enable greater market freedoms, though in reality the SOEs have again acquired greater salience under Xi Jinping’s state-led development strategy.

This process of rebalancing has expectedly taken its toll on the Chinese economy, which has expanded at below 7 per cent for the last three years, a significant deceleration from the levels of around 10 per cent earlier. Signs of adjustment are apparent in rising consumption levels, slowing investments, and emergence of services for high-wage employment. Tertiary output is beginning to outpace secondary output and the share of exports and investments in the GDP is falling.

Nevertheless, China has a long struggle ahead since reforms necessary for smooth rebalancing such as targeting inefficient enterprises and reducing the debt overhang promise to be tricky. Pockets of troubles have arisen in various parts of the economy such as shadow banking, industrial overcapacity, continued dominance of SOE, and others.

China’s economic rebalancing is expected to have significant international spillovers, including on demand for natural resources, manufacturing supply chains, and so on. In a global economy characterized by complex interdependence, rebalancing by its second largest economy must be subjected to intense scrutiny by all economic agents. The 2nd IFC @Goa has brought together experts to provide perspectives on the implications of the ongoing changes in the Chinese economy for India and other players. How the restructuring will be achieved while dodging the ‘middle income economy trap’ under the scenario of an aging population will be debated by the speakers at the

Forum. The pressing question of what a confrontation with the US in the economic domain portends for a smooth rebalancing will also be discussed.

Xi Jinping's Innovation-Driven Development Strategy: 13th Five-Year Plan, Made in China 2025, AI 2.0 and More

In his work report at the 19th Party Congress in October 2017, Xi Jinping highlighted the importance of the strategy to revitalize the country through science, education and innovation driven breakthrough and the strategy of civil-military fusion. In recent months, he has stressed the importance of reducing dependence on foreign technology in key sectors and making China a global leader in innovative scientific development by 2050. The 13th Five-Year Plan initiated major programs for science and technology for global leadership in 2030. China's expenditure on scientific research is now second only to the United States.

These targeted policies have delivered a massive rise in the number of patent applications, journal articles on scientific research and expenditure on R&D, apart from creating a more conducive environment for startups and intellectual property rights. 'Made in China 2025', with a focus on ten strategic industrial sectors, aims to convert China from just a 'manufacturing hub' to a 'manufacturing superpower.' It targets aligning with the German 'Industrie 4.0' to develop new technologies based on digital transformation such as Artificial Intelligence (AI 2.0), additive manufacturing, robotics, new energy automobiles, automation, big data, new materials, biomedicine and so on. This has since been supported by a range of interventions designed to synchronize science and technology progress with commercialization of R&D.

For advanced nations, hitherto the torch-bearers of technology evolution, these strategies are of concern, especially since they involve transfer of technologies from global investors in return for market access, deemed as unfair practices by them. While China insists that its strategy is in line with the global norms and would not deter the technological prowess of established tech giants such as the United States, Germany, Japan and South Korea, these countries have highlighted perceived violation of the WTO rules and regulations regarding technological substitution. There are concerns that China is pursuing discriminatory industrial policies and grooming 'national champions', leveraging the role of the state and the size of its market. The USA and its allies are now taking concerted steps to constrain the ability of Chinese companies in acquiring stakes in technology-rich firms. Technology has emerged as an important dimension of the intensifying trade and tariff disputes between China and the US.

The 2nd IFC @Goa will facilitate a discussion among experts to better understand the nuances of the technology mission of China and its implications for India and the world. The speakers will debate on China's institutional capacity to innovate further; evaluate the progress of the 'Made in China 2025' initiative; and examine the

implications of China's growing technological prowess for the ongoing modernization of its armed forces. Can authoritarian, top-down modes of governance adequately facilitate the ambitious innovation missions undertaken by China? In what tech sectors is China poised to surpass the US and the West? Are any of these sectors associated with a broad expansion in total factor productivity? How do trade and investment contestations with the US impact China's ability to innovate? These are some of the questions that could be explored during this segment.

Belt and Road Initiative: Reimagining External Drivers of Growth?

Launched five years ago, the BRI, or *yi dai yi lu*, is the signature initiative of Xi Jinping which has been backed by huge resources. It involves the construction of infrastructure projects around the world, supported by loans and investments from China. It is part of President Xi's grand strategy under his 'China Dream' to connect Asia, Africa and Europe with China for trade and investment under the rubric of the 'Silk Road Economic Belt' and '21st century Maritime Silk Road' made up of overland transport routes, maritime shipping routes and a network of ports. Over 70 countries are now associated with it, comprising half the world's population and a quarter of the global GDP.

The BRI has created useful infrastructure in recipient countries and also has several pragmatic considerations linked to China's connectivity agenda, the quest for new growth engines for its slowing economy, utilisation of its surplus capacity, development of new markets, and the desire to develop and stabilise its western regions. However, it is also being seen as a geostrategic initiative by China aimed at shaping its periphery and carving out a continental-cum-maritime space with China as the central player. It seeks to promote economic integration through physical and non-physical connectivity, and gradually extend China's economic and political influence.

The loans and investments are not without their associated or perceived risks. There are growing apprehensions about the BRI's modalities, lack of transparency, the risk of the recipient countries falling into a debt trap, the hardwiring of connectivity and the centrality of China ('All roads lead to Beijing'). Sri Lanka was compelled to hand over Hambantota port to Chinese entities on a 99-year lease due to its inability to service the Chinese debt. Pakistan, where the flagship project of the BRI, termed 'China Pakistan Economic Corridor' (CPEC), is being promoted with an expected outlay of \$60 billion, is facing severe financial stress, partly due to the CPEC projects. Malaysia has recently cancelled or postponed BRI projects in excess of \$22 billion because of doubts about their economic viability and its repayment capacity. The new government in the Maldives has expressed its concerns about the viability of some of the Chinese funded projects and the country's ability to handle the resultant debt burden.

The progress and reverberations of the BRI are a critical theme at the 2nd India Forum on China @Goa, including in terms of outcomes in India's neighborhood. These layered dimensions, replete with the economic and political elements of the BRI, will be explored by experts at the Forum. Special attention will be afforded to the European/Eurasian component of the BRI, the interface between the BRI and the Eurasian Economic Community, and the evolving partnership between China and Russia. In another session, the Forum will focus on the role of the BRI in the developing economies of Asia and Africa, with particular emphasis on the unique modalities of the CPEC.

Unfolding Economic and Strategic Contestation: China and the USA

A significant characteristic of global affairs in the 21st century is the introduction of national-strategic competition to the multifarious dimensions of the economic domain. On the trade front, concerns have proliferated in the USA over its burgeoning trade deficits with China, culminating in a spate of tariff impositions and concerns of 'neo-mercantilism' and technology disputes. Screening processes for Chinese investment entering the US and EU have been strengthened amidst fears that Chinese capital is a route for enabling the transfer of competitive and sensitive technologies to the Party-State and entities controlled by it. A debate is raging within the Western policy-making ranks regarding the trade-off between free market values and national security.

The resultant tariff 'wars' threaten to disrupt the carefully crafted global supply chains of previous decades, while leading to immense negative spillovers for global trade and emerging economies. President Trump has imposed additional tariffs on \$34 billion of imports from China in July, adding a further \$16 billion import list in August, and escalating with tariffs on \$200 billion in September. There are now increased tariffs between 10% and 25% on US imports of \$250 billion from China, with plans for increasing tariffs to 25% for all those imports in January 2019, unless there is a breakthrough in the talks on the trade and economic differences between the two countries. The USA has also proposed levies on another \$267 billion in imports from China. China has retaliated with tariffs on up to \$60 billion of imports from the US. On both sides, the escalating tariffs and economic actions are being seen as part of a larger strategic contest between China and the USA. There is talk of a new 'cold war' as the USA is seen as preparing to jettison the decades-long policy of 'constructive engagement' with China and instead treat it as a 'strategic rival' and 'revisionist power'.

The Forum would bring expert perspectives on the looming trade and investment disturbances in a broader strategic context and how the world and India will be impacted. The speakers will discuss the extent to which trade and investment contestations can spill over into the military-strategic domain, and find expression in the construct of the 'Free and Open Indo-Pacific'. The Forum will also explore what these

contestations mean in the context of China's perceived challenge to the liberal international order.

China's Role in Changing Global Growth Paradigm: Implications for India

Global growth is back robustly for the first time after the Global Economic Crisis, strengthening on the back of an improving US economy and better management of vulnerabilities in other leading economies. Within this environment, China's deceleration bears huge significance as it has been a leading growth engine of the world for two decades and particularly since its entry to the WTO. While the IMF expects India to emerge as the fastest growing major economy in place of China, the relative sizes of the two economies imply that China will continue to dominate growth even after slowdown. Nevertheless, implications of the relative slowdown of China's economy reverberate across areas such as demand and prices of raw materials, presence of a huge capacity overhang in China's industrial sector, rising wages in China and shifting global manufacturing chains, among others. The rise of a vast sector of an increasingly mobile Chinese population makes it a source for global tourism and consumption. The BRI (discussed above) is creating a China-led network of ports, highways and other infrastructure and creating connectivities across the land and maritime domains with China as the anchor.

The opportunities for India arise across several domains. It can capture part of the global manufacturing supply chain with greater domestic industrial competitiveness, while additionally leveraging the increased appetite of Chinese investors and overseas tourists. It can also attract higher investments from third countries seeking to move out of China. The emergence of the Regional Comprehensive Economic Partnership (RCEP), which is now on the immediate horizon, will further offer new potential for India, provided it manages its domestic economy with greater strategic foresight. Indian businesses too must calibrate their strategies to respond to China's economic and technological shifts. On the other hand, the gap between the Chinese and Indian economies is expanding, particularly in the technology field where China's determined missions are gaining traction. There are also concerns in India about its strategic space being squeezed by China's activism and assertiveness in its periphery.

The Forum would examine the experiences of the two economies with an intention to understand implications of China's expanding role in the economic domain and help develop strategic responses for the future of the Indian economy within a changing global economic paradigm.
