

# India's attempt to replace China is self-righteous

An economy-crippling lockdown doesn't seem to have deterred India from daring to dream big as its ambition to replace China's role in the global industrial chain expands.

India's northern state of Uttar Pradesh is forming an economic task force to attract companies eyeing a manufacturing shift from China, according to media reports. However, despite such efforts, it is still delusional to expect economic pressure facing China amid the COVID-19 pandemic will allow India to become the world's next factory. Radical voices saying that India is on track to replace China reflect nothing but nationalistic hubris.

And such conceit has gone beyond economic issues to reach the military level, which has led some to mistakenly believe they

can now confront China with border issues. Such thinking is undoubtedly dangerous and misguided. Thus far, Chinese border defense troops have bolstered border control measures and made necessary moves in response to New Delhi's recent attempt to unilaterally change the border control situation in the Galwan Valley region.

Western media outlets have been enthusiastic in touting India's competitiveness by comparing its market potential to China's, which has given some Indians a false impression of the actual situation. It would be unrealistic to think that there is any chance India could take China's place at the current time. Ten-

sions between China and the US are not an opportunity for India to attract relocating industrial

chains, because the South Asian country is not prepared to receive such a manufacturing

shift given its poor infrastructure, lack of skilled labor and stringent foreign investment restrictions.

India has been dreaming of becoming the next world factory, and the Modi government has launched various initiatives to forward that goal, such as the "Make in India" campaign, which has done little to impress the world. Observers have generally attributed India's manufacturing woes to its failure to conduct pragmatic reforms,

which, if executed, would be more efficient than an empty slogan.

Fundamentally speaking, India's indulgence in its manufacturing prosperity illusion is partly derived from a rise in nationalism at home. A trend of US adoration has brought some to believe they could be better off by following the path set out by the US. Such thinking has often led India to make decisions unintentionally in line with the American interests at the expense of its own. Ironically, the US' punitive trade policy against India may also help break its illusion.

At present, the Asia-Pacific economies are undergoing tremendous changes, with industrial chains adjusting to coronavirus shocks. The battle between the dragon and the elephant of Asia is also evolving rapidly amid the changing geopolitical pattern, but the two major emerging markets will find a way of getting along. And during that process, pragmatism is what the Indian economy really needs, rather than wishful thinking fueled by hubris and derailment.



## BIG FIVE IDEAS

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### BARLEY DUTIES

China's decision to impose anti-dumping and anti-subsidy duties on Australian barley is based on investigations conducted in strict accordance with relevant Chinese laws and WTO rules: Chinese Foreign Ministry spokesperson Zhao Lijian

### HUAWEI SALES

Huawei's sales of consumer devices achieved year-on-year growth in the first quarter of 2020. Smartphone sales dropped 17 percent to 240 million shipments in the first quarter, but PC sales surged 120 percent, wearables were up 60 percent and routers 70 percent.

### COVID-19 VACCINES

China has developed half of the COVID-19 vaccines currently in clinical trials around the world: China's Ministry of Science and Technology

### R&D SPENDING

China's R&D spending hit 2.17 trillion yuan (\$305.2 billion) in 2019, accounting for 2.19 percent of GDP, the Chinese minister for science and technology said on Tuesday. That suggests the nation's R&D expenditure has been on a fast track and continues to accelerate.

### DIGITAL CENTRAL BANK

The People's Bank of China said on Tuesday that it will construct a "digital central bank" in the context of greater urgency for a financial digitalization transformation and a more serious financial network security situation.

## China-EU economic cooperation increasing amid COVID-19

### Editor's Note:

Is the COVID-19 pandemic a game changer for China-Europe ties? As some observers claim the public health crisis is upsetting relations, economic and trade cooperation between the two – a crucial wind vane of their comprehensive relationship – is quietly increasing. Henry Tillman (Tillman), founder, director and CEO of UK-based consultancy Grisons Peak shared with Global Times (GT) reporter Li Aixin his numerical evaluations of China-EU collaboration both during and after the pandemic.



Henry Tillman, founder and CEO of UK-based consultancy Grisons Peak  
Photo: Courtesy of Henry Tillman

**GT: How do you evaluate the China-EU cooperation amid the novel coronavirus pandemic?**

**Tillman:** While much has been written about Chinese medical assistance with the virus and indeed outbound investment into Europe over the past decade, since 2018 our firm also began focusing on EU investment into China. Beginning in 2018, we have seen substantial investment and pledges by many EU countries.

**GT: How do you think China-Europe trade ties will develop in the post-pandemic era?**

**Tillman:** China-EU trade has been in the range of 13-14 percent of total Chinese trade since 2013, ranking No.2 behind only the US. This changed in 2019, when the US and the EU reversed places. However, in Q1 2020, ASEAN became China's largest trading partner, surpassing both the EU and the US. Over the short term, this can in part be explained by the effects of the EU

lockdowns and strong performances in growing major Southeast Asian economies. Longer term, China has put into place detailed plans to possibly double trading volumes between 2019 and 2025 with the ASEAN, Africa, Latin America, Russia and MENA regions.

**GT: Some observers from the US and Europe recently voiced that in the post-pandemic era, Europe must decide between Washington and Beijing. What is your take on that view?**

**Tillman:** Across the EU, European decision makers in the countries we are involved in realize that there has been substantial movement in the 70-year world order. It is too early to tell where this movement is heading as we are still in the early stages of the virus with some way to go before an effective vaccine is available. At

the individual country level, there have already been a few recent US/EU 2020 vignettes worth highlighting.

On February 7, CNBC reported that US Attorney General William Barr said America and its allies should take controlling stakes in Finland's Nokia and Sweden's Ericsson to "blunt" Chinese firm Huawei's "drive to domination."

On May 8, Der Spiegel cited a German intelligence report which cast doubts on US allegations that COVID-19 originated in a Chinese laboratory, and says the accusations are an attempt to divert attention from the US' failure to rein in the disease. The Der Spiegel report followed US Secretary of State Mike Pompeo's prior 5G threats to European allies warning them not to use Huawei.

**GT: What kind of role do you think the BRI could play in the global industrial chain?**

**Tillman:** On May 14, MOFCOM released data showing China's trade volume with BRI countries from January through April 2020 was up by 0.9 percent, while overall Chinese trade had declined by 4.9 percent during the same period.

The pandemic has clearly emphasized the need for supply chain diversification. With air transportation and ocean freight affected, China-Europe rail freight has shown very strong growth.

