

Asia



India-America relations

Multipolar problems

DELHI

J.D. Vance flies into a giant trade storm in India

ON APRIL 21ST America's vice-president, J.D. Vance, landed in Delhi as part of an American campaign to push other countries to isolate China economically in exchange for reductions in President Donald Trump's "reciprocal" tariffs. Those tariffs, which include a 26% levy on India, are paused at a 10% rate for most countries until July 8th. So Indian officials are racing to strike trade deals with America, the EU and others. But China is turning up the heat. On the same day that Mr Vance arrived it warned the world against "appeasement". "China firmly opposes any party reaching a deal at the expense of Chinese interests...and will resolutely take counter-measures."

Mr Vance's job was to reassure Narendra Modi, India's prime minister, and other top Indian officials. In their meeting, Mr Vance and Mr Modi welcomed the progress towards a trade deal and discussed defence co-operation. Mr Modi said he was

looking forward to Mr Trump visiting India this year. In a speech the next day, Mr Vance said the 21st century would be "prosperous and peaceful" if India and America co-operated, but a "dark time for all of humanity" if they failed. He said America wanted trade partners that did not act as conduits for others' goods.

The vice-president also visited cultural sites with his wife (who is of Indian origin) and their children, which may soften the administration's image in India. That has taken a hit from the cancellation of Indian student visas. The two sides held trade

talks in Washington this week as well. With the prospect of a rupture between China and the United States, some American firms are looking to India as a production base, including Apple, which already makes 20% of iPhones there.

China, however, has other ideas. American tariffs pose a "grave threat", said Xu Feihong, the Chinese ambassador to India, in an interview published on April 19th. He added that India and China have "vast potential for co-operation" and should "oppose all forms of unilateralism and protectionism". Before Mr Trump's trade war the Asian giants had resolved a four-year stand-off over a disputed border. They were talking about resuming direct flights. And India was starting to allow more Chinese investment in manufacturing to cut its reliance on imports from China. The border remains calm and the two sides have agreed to resume pilgrimages of Indian Buddhists and Hindus to Tibet. China is also pledging to buy more Indian goods.

India shares many of America's fears about China. Indian military and intelligence officials worry about further border incursions in the Himalayas, China's influence in South Asia, its military operations in the Indian Ocean and Chinese technology in Indian infrastructure. Indian officials fret too about the trade deficit with China, which kept growing after the border

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▶ clash, reaching \$99bn in 2024-25.

But the idea of expanding American trade with India, while also isolating China, runs into a giant problem. Many Indian exports to America (and elsewhere) depend on Chinese components. The pharmaceutical sector, one of the biggest exporters to America, relies on China for fully 70% of precursor chemicals. The smartphone industry—a rare success story in Mr Modi's scheme to attract foreign manufacturers with generous subsidies—needs China, too. Phones are assembled largely from imported components, including many from China.

Mr Trump has for now exempted smartphones from his tariffs but has warned that they could soon be covered by new levies. And he has urged Apple to make its iPhones in America. Much will depend on how America defines its "rules of origin", says Ajay Srivastava, a former trade official who runs the Global Trade Research Initiative, a Delhi-based think-tank. Those determine how much Indian content or processing is required for India's exports to avoid American tariffs on China. But whatever the rules, India cannot quickly cut its dependence on China, which is prevalent even in low-tech industries such as textiles and leather goods. "I don't see any alternative to China emerging in at least a decade," says Mr Srivastava.

India had hoped to reduce that dependence over time by getting Chinese companies to manufacture more in India while transferring technology to local partners (much as China did from the 1980s on). It has not officially relaxed curbs on Chinese investment imposed in 2020 but has selectively approved joint ventures that give the Indian partner a controlling stake. Chinese firms signing such deals in the past year include Vivo, a smartphone producer; Suzhou Inovance, an electric-vehicle (EV) component maker; and ZNShine, a solar-panel maker.

India now seems to be putting the brakes on that plan, presumably in part to reassure Mr Trump that it will not become a new base for Chinese manufacturing. Piyush Goyal, the commerce minister, said on April 7th that India would not, for the moment, approve an application for BYD, a Chinese EV-maker, to invest \$1bn in an Indian joint venture. "Not too much Chinese investment has come to India. Nor are we encouraging any significant investment coming in from China at all," he told a conference on April 11th.

Some Indian officials and business figures are relieved at the freeze. They cite recent Chinese moves to gain leverage over India by stopping some Chinese technicians from visiting and by blocking shipments of some machinery and components. India's China sceptics favour striking trade deals with America, the EU and

other partners to try to integrate with the developed world.

But pivoting to America has risks, too. There could be fierce domestic resistance to a trade deal, especially if Mr Trump insists on opening India's agricultural sector (a big employer) and its e-commerce market, which is dominated by some of its richest tycoons. Mr Trump may not allow more visas for Indian professionals, given his immigration policy.

Mr Modi has a window for a deal, with only one state election between now and March or April 2026, says Tanvi Madan of the Brookings Institution, a Washington-based think-tank. He must be wary of appearing to bow to American pressure, though. Any agreement to curb Chinese involvement in India's economy could prompt Chinese retaliation. India has never had simple choices in dealing with its giant eastern neighbour. Mr Trump's trade war isn't making it any easier. ■

Defending Taiwan

Not made in China

HSINCHU

Taiwan wants to make the world's "non-red" drones

ANDY HSIN, a manager at Coretronic, a Taiwanese electronics manufacturer, beams as he picks up a small black surveillance drone. "These are 100% zero-red," he says. "Nothing made in China." Mr Hsin's company is already selling these "non-red" drones to American firefighters and other first responders. Next it is eyeing America's border control. Taiwan's government



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