mint

Devina Mehra: Why the US plays fast and loose with India but not China

Devina Mehra | 27 Aug 2025

China now holds most of the aces in any negotiation. **(REUTERS)**

SUMMARY

It's about relative clout, not fairness, and China's strategy of establishing control over other economies has given it leverage. India must focus squarely on its long-term interests too. Till then, we'll have to put up with what we consider unfair trade.

I see plenty of commentary in the Indian media about how the US tariff proposals are unfair. Some even point out that China imports more Russian crude than India. And of course China's trade surplus with the US is several times that of India.

Why then is the US turning the screws on India?

This is only the latest symptom of the relative bargaining power of countries. International bargaining, especially with someone like Trump, is only about relative strength, not 'fairness.' And China has worked over the years with a long-term focus on strengthening itself as a rival to the biggest economies in the world, while simultaneously making itself indispensable to their working.

Let us look at why China hates to be even spoken of in the same breath as India—and rightly so.

The stark difference between China and India is clear from this statistic: Even if China stops growing and India's GDP compounds at 7% per annum (this has historically happened only once for seven years out of eight in 2003-10), it'll take about 25 years for India to catch up. And this is a make-believe calculation, as China's economy won't stop growing anytime soon.

But the point is not about just the size of the Chinese economy, but also its strategic positioning. In every area where China has operations, it may have started with low-end assembly, but has focused on moving up the value chain bit-by-bit to reach a position where it controls both the technology as well as strategic materials needed.

In *Prisoners of Geography: Ten Maps That Tell You Everything You Need to Know About Global Politics* by Tim Marshall, the big takeaway for me was China's control of the world. It made my heart run cold. One, of course, knew of China controlling many areas of mining and materials in Asia and Africa, but from this book it was clear that it has a presence everywhere from South America to the Arctic Circle. You might think you are buying a 'Made in Europe' bag or garment, but it was likely made in a Chinese enclave or township in Italy.

China is a huge consumer market and in past trade stand-offs, one weapon the Chinese government had was to restrict market access. But that was not enough for the kind of control it wanted over the global economy. It was also important to control supply lines. Its control over rare earths is an example.

China started prospecting for rare earths and mining them decades ago. It even ran into a glut situation that drove a research push. Between 2000 and 2016, the Chinese Academy of Sciences published 2,018 papers on rare earths (*The Economist*). Turning off access to these at will gives China immense leverage over the world.

Also, China is not content only with control over raw materials. To give an example, BYD sold more electric vehicles (EVs) in the first half of 2025 than the next four brands combined, two of which are Chinese anyway. This, in a period that saw Tesla sales volumes decline. Seven of the top 10 EV brands are Chinese (data source: *Autovista24*).

Here we are talking about critical high-tech fields, not the mass consumer market where Chinese products are dominant anyway.

As for India, our trade deficit with China has gone up from about $37 billion to almost $100 billion over the last decade. Meanwhile, our exports to China have not grown at all.

Yes, we did ban a few dozen Chinese apps some years ago, but seem to be looking to China now to bail us out from our trade tussle with the US.

Around 2020-21, China decided to further laser focus on certain high-Tech areas: "In order to achieve breakthroughs in advanced technologies, including artificial intelligence (AI), quantum computing, blockchain, neuroscience, biotechnology, robotics and semiconductors to ensure its technological self-reliance and power its economy, R&D investment will rise to 7% annually and China's leaders intend to spend as much as half a trillion dollars every year, or 4% to 6% of GDP," writes Dexter Tiff Roberts in 'Xi Jinping's politics in command economy' (Atlantic Council). Of course, this was to be accompanied by a few other changes, including a crackdown on Big Tech and foreign firms and a move back to more state enterprises. China's R&D spend is estimated to be 20-25 times India's.

Five years later, the results are clear. China dominates technology, raw materials, ports, supply chains and final products. While we congratulate ourselves on Indian-origin CEOs, Chinese students who study abroad overwhelmingly return to China for opportunities to both do research and build businesses in their home country.

China now holds most of the aces in any negotiation. Ultimately, it is about this raw power, not any woolly notion of righteousness. As Rajinder Krishan wrote, "*Ramchandra keh gaye Siya se, aisa Kalyug aaega… jiske haath mein hogi laathi, bhains wahi le jaayega*" (loosely translated as Ramchandra told Sita that a lawless era will come when whoever has the stick will get his way). That is, the law of the jungle.

We in India must think of our long-term interests and what we can do to secure them. Till then, we may wail and flail, but we will have to put up with any perceived unfairness.

The author is chairperson, managing director and founder of First Global and author of 'Money, Myths and Mantras: The Ultimate Investment Guide'. Her X handle is @devinamehra