

Geopolitical and Geo-economic Dimensions of Covid-19

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While the Covid-19 pandemic has led to serious economic disruptions in India and recovery may be slow, this may also prove to be a propitious geopolitical moment for India. The objective of Aatmanirbhar Bharat should be to create a globally competitive and high-quality economy. What gives confidence to Indian business and industry to invest in India is what will attract foreign investors as well.

There were significant changes in the global power equations even before the ongoing Covid-19 pandemic, such as the shift in the centre of gravity of economic power to the trans-Pacific from the trans-Atlantic, the emergence of a more loosely structured multipolarity, the upsurge of nationalist and parochial sentiments in countries across the world stalling the trend towards globalisation. There is a parallel weakening of multilateral institutions and processes even while the salience of cross-cutting and cross-border challenges demanding global and collaborative responses such as Climate Change, has increased. The pandemic has reinforced these pre-existing trends and contradictions. The pandemic itself is a classic global public health issue but we see very little by way of a coherent, well-coordinated global response using instruments of global governance such as the World Health Organization. Countries have mostly responded at the national level.

There are certain new trends emerging triggered by the pandemic.

There is a notable acceleration in the adoption of digital technologies; in fact we are witnessing “galloping globalisation” in the digital space, including the extensive spread of work-from-home (WFH), the rapid adoption of tele-education and tele-medicine and the use of tele-conferencing and online meetings in place of physical gatherings. While these trends are related to the constraints imposed by the pandemic, much of the new patterns

of behaviour are likely to persist post-Covid-19. Newer technologies such as Artificial Intelligence, the Internet of Things and the use of big data will advance faster than envisaged. The associated challenges will also multiply in particular relating to cyber space and specifically to data privacy. New issues relating to high-tech monopolies, the manipulation of social media platforms and the as yet poorly understood social and psychological impacts of these rapid



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changes, will occupy the attention of individuals, communities, countries and the international community.

Main Trends in Geopolitics

China's regional and global profile has continued to expand. It has steadily narrowed the power gap with the US and is likely to continue to do so in the aftermath of the pandemic. It is the world's second largest economy with the largest trading power and has also accumulated high-technology assets such as in Artificial Intelligence and 5-G telecom networks. Even though the Covid-19 virus erupted in China before spreading across the world, it is China which first managed to bring it under control. It is the first largest economy to register steady recovery. This has added to Chinese confidence and self-assurance which is visible in its more assertive and aggressive external behaviour. Its leadership believes that the pandemic has provided China with an opportunity to advance its interests vis-à-vis other powers particularly the US. This may be seen in the recent coercive actions in the South China Sea, the passage of a highly restrictive National Security Law in Hong Kong, virtually abandoning the One Country Two System policy granting high degree of autonomy to the key international financial centre in Asia.

There is more threatening rhetoric and military provocations against Taiwan, which China is determined to reclaim as a renegade province. The numerous transgressions on the India-China border, which recently resulted in casualties on both sides after relative peace had prevailed for more than four decades, and point to a new orientation in China's external behaviour. China now benchmarks itself with the United States and believes that is on track to surpass the latter as the world's pre-eminent power. In Chinese perception, the US is a declining power, and the dysfunctionality of the American response to the Covid-19 crisis



reinforces this perception. Under President Xi Jinping, China is convinced of the superiority of its own authoritarian governing system and the success of its economic strategies. Unlike in the past, Chinese leadership believes that it can serve as a development path that other developing countries could emulate. The ambitious Belt and Road Initiative (BRI) is an instrumentality through which China may spread its model using its financial and technological heft. This also enables the adoption of Chinese standards and specifications in a number of important domains. Telecommunications is one such domain.

China is rapidly developing its scientific and technological capabilities and currently spends more on Research and Development than the US. In some areas such as Artificial Intelligence, it may be ahead of the US. However, most analysts believe that the US still retains its technological lead over China but this may not be sustained if current trends continue.

How Realistic are Chinese Aspirations?

Geo-economic Trends

China's GDP is destined to overtake the US and this makes it a great economic power, however, in per capita terms it still lags behind. Its per capita GDP is only a quarter of the US.

While China's GDP may surpass the US, and China is undoubtedly the world's largest trading power (its current foreign trade volume is larger than India's current GDP), the world's financial and currency markets are still dominated by the US and the US dollar. As long as China remains reluctant to make the Chinese currency, the Renminbi (RMB), fully convertible; it is unlikely to replace the dollar as an international currency.

In military terms, China remains significantly behind the US and is unable to match the global reach of the US-led alliance systems in Asia and Europe. It has set up a base in Djibouti at the Horn of Africa and has acquired the use of ports in several parts of the world which could conceivably serve as military facilities in due course. The Pakistani port of Gwadar and the Sri Lankan port of Hambantota belong to this category. The BRI is putting in place a worldwide infrastructure and transportation platform which could

also be transmuted over time into a military network. But this is no match for the American network of naval bases across the world including at the doorstep of China itself. China's military expenditure has increased dramatically particularly in the past decade. It is over US\$300 billion currently but is dwarfed by the US total of US\$750 billion.

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The overall assessment is that China has significantly narrowed the power gap with the US but remains behind the latter in several important indices of power. It may have declared victory too early while the US may have woken up to the China challenge too late. This points to a prolonged phase of confrontation and tension between the world's largest economy and military power, the US and its second largest and still growing power, China. This confrontation is structural

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and is unlikely to change even with a change in the US administration at the forthcoming Presidential elections. This will impact on the strategic choices to be made by other powers, including medium and smaller powers. This situation may continue until one power overcomes the other and emerges as a hyper-power like the US of the post-1990 period. Alternatively, in the case of a relatively stable impasse between the two powers, they may well decide to reach a mutual accommodation with respective spheres of influence. This

could mean a China-dominated Asia which would be unacceptable to India. In ordering its own strategy, India will need to keep in mind these alternative scenarios.

While the Covid-19 pandemic has led to serious economic disruptions in India and recovery may be slow, this may also prove to be a propitious geopolitical moment for India. Thanks to concerns about China and its selfish and unilateral exercise of power, countries want India to succeed and serve as a countervailing presence to China. There could be a significant flow of capital, technology and advanced knowledge to India if an efficient and congenial economic and regulatory environment could be put in place. The size of the Indian market is an asset as is its political stability and democratic traditions. Economic reforms may be politically difficult but the pandemic is a crisis which could provide an opportunity to drive them. There is a government which enjoys parliamentary majority and has a strong and decisive leadership. A coherent and well-thought-out strategy and a determination to follow through with effective implementation is the need of the hour. The objective of Aatmanirbhar Bharat should be to create a globally competitive and high-quality economy. What gives confidence to Indian business and industry to invest in India is what will attract foreign investors as well.

The pandemic is shaking the very foundations of our economy and our society. It is loosening the rigidities in governance and weakening the power of vested interests which have so far prevented thorough-going and structural reforms; this is therefore a moment to be seized. India is the only country which in terms of its size, its population, its economic potential and proven scientific and technological capabilities and its rich civilisational legacy, can not only match but surpass China. But then we need a strong national will to reach out for this goal. □

