



Global Resilience **White Paper** – 5

# **Trump 2.0 and the Accelerated Rise of China: Implications and options for India**

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**Abstract:**

Trump 2.0 is the best possible gift that the US could have handed China, as it will accelerate the move to a multi-polar world (the USA heading the Americas, Russia heading Europe, and China heading the rest of the world).

That leaves India with little room to breathe, but it can recover the initiative and even come out ahead of China, not immediately of course, but in the medium term.

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## **Trump 2.0 and the Accelerated Rise of China:**

### **Implications and Options for India**

Trump 2.0 has raised numerous concerns for both the direction and substantive content of the evolving global order. The decisive victory of both President Trump and his Republican Party in the November 2024 US elections as well as his Cabinet appointments foreshadowed both an ideological and cultural war against existing liberal global and domestic policies and institutions. This has happened much more quickly and ruthlessly than most people expected.

In an overarching and more fundamental sense, Trump 2.0 is attempting to overthrow the post-World War II, UN-based, US-led liberal world order and many of its unprecedented and numerous gains. This order, which took its inspiration largely from the timeless UN Charter which turns 80 on June 26, 2025, had already been under acute stress before Trump 2.0, especially because of the Russian Federation's illegal invasion of Ukraine, the Israeli genocide in Gaza and the repeated, even escalating, abuse and misuse of the veto power of the United Nations (UN) Security Council (SC) by some permanent five (P5) members of that body, notably the United States and the Russian Federation, and in some cases, the People's Republic of China.

The US' notice of formal exit from numerous UN institutions, conventions and agreements including the World Health Organisation (WHO), Paris Climate Accord and its disavowal of the globally agreed Sustainable Development Goals Agenda 2030 have reinforced and compounded this crisis. They represent international examples of his ideological war as well as US self-goals at the multilateral level. Both by its withdrawal as well as its unwillingness to pay its significant arrears and its 2025 core "assessed" contribution to the UN, as well as its waging an existential war against the UNs International Criminal Court (ICC), Trump 2.0 has already created a multilateral level crisis and vacuum which China may be best placed to fill, financially and otherwise.

If so, China will want to extract concessions and high-level UN positions before it does so. The problem is that, if it gets these, there will be significant further damage to the post-World War II liberal democratic order because China is neither liberal nor democratic.

Indeed, China and Russia are longstanding illiberal powers which have already been waging a less visible ideological war on the international multilateral system. These countries are no doubt most pleased that they have now been joined, and even surpassed in illiberal terms, by the very nation which till at least Trump 1.0 and during the Biden Administration years, had not just played the key role in founding but also led the post-World War II democratic, liberal global order.

The financial delinquency of the US to the UN is being made worse, sadly and somewhat surprisingly, by another UNSC P5 member, the UK, (shockingly under a Labour government) and some middle European powers who are amongst the biggest beneficiaries of a UN embedded global multilateral system. This comes at a time when they and the UN need each other the most.

These countries, preoccupied with their own existential domestic immigration, defence, economic, financial and foreign policy crises, partly created by Trump 2.0, appear to consider cutting their aid to both the UN and the poorest countries as a soft target. They do need to increase their defence budgets because of Trump's undermining of NATO and because, for political reasons, they cannot easily cut social welfare programmes at home to finance their defence needs.

Even countries such as Sweden, which have been amongst the UNs staunchest and consistent defenders since its founding 80 years ago, have already, at the worst possible time for the UN, given notice about cuts in their contribution. In Sweden's case, the country's current right-wing government appears to have reduced its contribution to the UN mainly for ideological reasons, like the US. This was unthinkable of Sweden till very recently.

The UK continues to occupy a UN Security Council permanent seat and veto power long after it should have relinquished both, given it is a faded power in every sense of the word. This remains the case, despite its reduced financial support to the UN. After Brexit, the UK has clung on to its undeserved UNSC P5 seat as its last pretension to global power and influence.

The UK and Sweden should urgently reverse course. Collectively, together with France, Germany, Canada, Australia, New Zealand, Chile, Mexico, Japan, the Republic of Korea and key countries in the Global South (e.g. BRICS members, Türkiye, ASEAN members) they should be prioritizing filling the yawning financial gap left by the US in support of an appropriately adapted and reformed UN more relevant to the huge transnational and multilateral challenges of the 21<sup>st</sup> century staring the world in its face for which the UN is needed more than ever.

Surprisingly, China's core contribution now amounts to almost the same as the US at around 20% of the UNs core budget. Unlike the US, it has, so far, been a more financially responsible UN member state since it remains committed to paying its core "assessed" contributions, even if its payments are often very late.

Trump 2.0s actions on the Ukraine crisis and its inability to even get Russia to agree to and abide by a temporary ceasefire has also given Russia confidence that the US will no longer be a threat to it either bilaterally or in multilateral fora. It may feel emboldened to more brazenly increase its already extensive use of its veto in the UN Security Council in its own self-interest on Ukraine and other issues of importance to it, often supported by China. President Putin must also have rejoiced at President Trump's recent actions withdrawing US support for the International Criminal Court's (ICCs) War Crimes prosecution against him.

Trump 2.0 has also given Israel under Netanyahu carte blanche permission to extend its genocide against Palestinians in Gaza, including by publicly and unashamedly using starvation as a weapon of war against the more than two million Gazans. His Finance and National Security Ministers defended the government's decision to "completely halt" the flow of humanitarian aid, calling it a way to open the "gates of hell....as quickly and deadly as possible." The Finance Minister had earlier suggested that blocking aid to Gaza was justified even at the cost of mass civilian starvation. Moshe Saada, a Knesset member from Prime Minister Netanyahu's Likud Party went even further when he recently told Israel's Channel 14 TV "Yes, I will starve the residents of Gaza, yes, this is our obligation." This was in response to the UN World Food Programme's (WFPs) announcement that seven weeks of the siege on Gaza's border crossings had caused all its food stocks in Gaza to run out.

### **Chaos, Disruption and Mayhem for The Global Economy**

On the economic front, Trump's global tariff war is in explicit violation of many core principles of the World Trade Organization (WTO). The negative implications and impacts of Trump's global tariff war, despite contradictory on-off signals, were first unleashed on his "Liberation Day", (April the 2<sup>nd</sup>), when he announced his unilateral reciprocal tariffs on over 180 countries. The President's commitment to the global tariff war was once again recently illustrated by his threat, in the third week of May, to impose 50% tariffs on the EU from June 1 (the date has now been changed to July 9) and 25% on US imports of Apple I-Phones. India together with China and Vietnam were specifically

singled out as export sources on which such tariffs would be levied. Regardless of whether he rolls back such proposed tariffs on July 9 after his 90 days pause in April, there is no turning back from their multitude impacts. Though he did roll back tariffs on China from 145% to 30% some weeks ago, the fact that the latter made no concessions has only dented Trump's credibility even more

The extent of uncertainty as well as the damage to the world economy as a direct result of Trump 2.0 tariffs is just beginning to build. As the CEO of Walmart already indicated, most businesses will not "eat their tariffs" as President Trump has asked them to do. They will pass them on as a new tax to their consumers. Likewise, countries such as China, Vietnam and India will pass them on to US-based importers.

Nobel Economics Laureate Paul Krugman estimates that US trade with China will drop by 65% while US trade globally will suffer by 50% because of the global tariff war even after Trump reduced his 145% tariffs on China. Furthermore, Krugman estimates that the overall negative impacts of the global tariff war will be seven or eight times greater than the negative consequences of the disastrous Smoot-Hawley Act of the early 1930s which fuelled the Great Depression.

While President Trump may be able to fool his Make America Great Again (MAGA) base all the time and a few others some of the time, he has not been able to fool the US Treasury bond market any of the time. This is already resulting in a serious self-goal for the US with likely unprecedented mid to long term negative consequences for the financing of the already staggeringly high US debt burden, the value of the US dollar and its role as the world's main reserve currency.

China has been playing the long economic game. Despite facing a number of economic challenges currently (inadequate domestic demand, housing bubble market crash, need to find other export markets), it has been diversifying its trade and financial relationships away from the US for almost a decade since Trump 1.0, and is better placed to weather the immediate storm than the US, EU, Japan, Republic of Korea, Russia, Canada, Australia, Mexico and most of the Global South. Its trump card remains control over approximately 90% of the world's strategic rare earth mineral reserves, including their processing technology.

### **China's Growing Technological Superiority Over the US and the World**

The conventional wisdom thus far has been that the US is the undisputed global leader in the technological field including cutting edge technologies such as both traditional and generative Artificial Intelligence (AI). This was recently reinforced by the Biden Administration's January 2025 "Framework for Artificial Intelligence Diffusion," (FAID) which went into effect on 13 January 2025, literally a week before the end of his Presidency.

Its key premise is that US national security requires that it maintain technological leadership in the global AI industry. The Framework restricts the export of AI chips and Graphic Processing Units (GPUs) from the US, categorizing countries in three-tiers with specific restrictions for each tier. While China, together with North Korea and Iran have been placed in tier-3 which is explicitly reserved for US adversaries who have been burdened with the most restrictive controls for the dissemination of advanced AI technologies to them, India, much to its disappointment, was placed in the intermediary tier-2 category, also subject to heavy export restrictions on the number of GPUs and advanced AI chips, (roughly 50,000 through 2027), and therefore computing power, it can import from US based companies.

President Trump, on his second day in office during Trump 2.0, less than ten days later, clearly indicated that he plans to expand the global dominance of US companies in AI.

Till very recently, US companies such as OpenAI, Microsoft and Google had been setting the generative AI narrative because they had access to the most cutting-edge hardware made by another US company, Nvidia. They also had access to the best AI talent pool in the world. Moreover, OpenAI, Softbank, Oracle, Microsoft and Nvidia are coming together over the next four years to build AI infrastructure for OpenAI through a new project and company, Stargate, with an anticipated investment of USD 500 billion.

However, in January 2025, an earthquake reverberated through the global AI industry which has the potential to change all of this, although it should be cautioned that it is still premature to arrive at a definitive conclusion on this. It was triggered by a Chinese AI laboratory when it released DeepSeek, a low-cost, OpenSource foundational model, costing only around USD 6 million. This appears to demonstrate that AI foundational model development may not be as expensive as previously thought, notwithstanding the credible belief of some experts that the financial resources required for DeepSeek may have been significantly higher.

Nevertheless, the development of DeepSeek has threatened to upend the economics of generative AI development since, even if the USD 6 million figure is significantly understated, its total cost will represent only a very small fraction of the USD 6.6 billion that was spent to train OpenAI models.

DeepSeek's R1 'reasoning' model is being proclaimed as almost on par with OpenAI's new o1 'reasoning model'. China's e-commerce giant, Alibaba, also released a new AI model, QwQ in November 2024. This is said to rival OpenAI's GPT-o1 series models in reasoning capacity, making it yet another credible Chinese competitor to the US' OpenAI. DeepSeek is also open source, unlike OpenAI's models. This allows developers to easily build on top of its models.

Not only is DeepSeek competing with OpenAI's latest models on several parameters, but it is noteworthy that while it still relied on Nvidia GPUs, it was based on an older technological version. This is because of China's limited access to cutting-edge Nvidia AI hardware because of US sanctions.

The Chinese DeepSeek shock will, no doubt, be further reinforced by credible recent research findings which suggest that China is ahead of every other country in the world in almost every strategic and critical technology area. TK Arun, referencing the Australian Strategic Policy Institute (ASPI) which has both identified 64 critical technologies and tracked the progress of different nations in generating research in areas of strategic capacity belonging to several broad clusters which directly impact the global race for future power wrote that, according to ASPI's end-August 2004 report, China has been leading in 57 out of 64 strategic technologies since 2019. The US only leads in seven.

In the case of China, this was an exponential increase from it being the global leader in only three such critical, strategic technologies between 2003-07 (<https://the.federal.com/category/opinion/india-ai-mission-deepseek-169536>, February 1, 2025).

The relatively new global, geopolitical and geo-economic situation created by Trump 2.0 coupled with China's growing technological superiority clearly suggests that an already rising China has been given an accelerated boost by Trump's revival. This should, therefore, deeply worry everyone who cares about the future trajectory of the post-World War II liberal, democratic world order.

### **The US' Current Multiple Domestic Crises: Political, Governance, Economic and Academic and Research**

Under Trump 2.0, the US has self-generated a series of multi-faceted domestic crises which compound the global crises just discussed. This is because what the US does in the domestic sphere

still has disproportionate influence on world affairs, even though its dominant role has been declining for a few decades now. Many of the President's Executive Orders, such as the ones on deportation and economic issues such as trade and tariffs directly impact countries and people around the world.

### *Political and Governance Breakdown*

Trump 2.0, in its first four months, has been marked by corruption, chaos and cruelty. Corruption has been of many kinds, not least for the financial gain of his family and friends. This has been facilitated effectively and in full sight by the elimination of the clear line between the President's personal and official business. This has probably already resulted in billions of dollars in personal profit for a handful of individuals close to the President in many arenas ranging from the stock market to cryptocurrency transactions. The President also recently accepted an unprecedented gift, an advanced and very expensive aeroplane, from the Emir of Qatar, for both his official use and personal use after his Presidency ends. The value of this gift far exceeds anything imagined by the US Constitution's authors for such official gifts, yet it is going ahead in plain sight with no checks and balances in play.

The President also continues to offer his voter base the false promise that if illegal immigrants are deported, new immigration to the United States tightened, and tariffs on imports into the US are increased, that de-industrialization in parts of the Midwest of the United States of America will magically and immediately reverse itself, their joblessness will go away, that their livelihoods and lives will quickly and significantly improve, and that all of this will Make America Great Again (MAGA).

At the domestic level, Elon Musk's ideological, self-serving, disruptive Department of Government Efficiency (DOGE) chainsaw massacres of the US Agency for International Development (USAID), federal education, social security, diversity, equity and inclusion (DIE) policies and other liberal or checks and balance aspects and institutions of the US Government are the most visible domestic examples of Trump's ideological and cultural war in practice. Many of these actions need Congress approval but have been implemented without it. Taken together, they represent multiple crises for the US partly because they will result in a hugely reduced capacity for US self-governance, going forward. They are also a recipe for a multitude of cascading new domestic and international political and governance crises in the future resulting from such reduced capacity caused by layoffs, early retirement and loss of decades of irreplaceable technocratic experience of senior and middle level government civil servants who have recently or are currently departing the Trump Administration to be replaced by a smaller number for whom the only recruitment criteria is subservience and loyalty to the President.

Trump 2.0 has also been marked by several constitutionally illegal domestic policies and international initiatives enacted unilaterally by Presidential Executive Order in the manner of dictatorial decrees. These actions have resulted in both the global tariff war as well as the unconstitutional deportation of large numbers of legal and undocumented immigrants from the US, in addition to many other disruptions and regressive rollbacks from the Biden Administration's period of governance.

About the most cruel, inhumane and violent example of this, with huge geopolitical and geo-economic implications, especially for Mexico and Central America, but also for the whole of Latin America and other parts of the world, are the Trump Administration's continuing forced abductions and deportations of both legal and undocumented US resident individuals to gulag-like privatized prisons in Louisiana in the US and El Salvador in Central America, with other venues in Africa

(possibly South Sudan and elsewhere) still under discussion. The overall forced exodus from the United States, if President Trump has his way, could be of the staggering magnitude of around 10 million people over the next few years.

Like the US import tariffs, deportations do not portend well for the US economy either, much of which depends on many of the very same legal and illegal immigrants who have either already been deported or are under threat of deportation since they provide critical labour for the economy in the Rust Belt and through jobs which most white Americans cannot do or will not accept.

President Trump's Homeland Secretary and his Deputy Chief of Staff who jointly oversee the immigration portfolio continue to act on President Trump's deportation message, often using illegal, forced abductions led by the US Department of Homeland Security's Immigration and Customs Enforcement (ICE). The scope and range of their abductions have been expanded to include both University students who are either legally in the United States as permanent residents or foreign students on legal F-1 visas who are accused, most often on flimsy evidence, to have been active in anti-Israel genocide protests. They have been labelled as "enemies of US foreign policy" by Marco Rubio, the US Secretary of State who, by his own admission, signs each student abductee's incarceration or deportation order. He has now extended this to cover most Chinese students on legal student visas who are, again without legal evidence, being labelled agents of the Chinese Communist Party (CCP). In an example of extreme vendetta because Harvard University has stood up against the Trump Administration's bizarre pronouncements against it, President Trump on June 4 singled out the University and even asked the US Secretary of State to target all international students associated with it, both those applying for student visas and those already on them.

The mass deportations, incarcerations and visa denials and cancellations are truly one of the most McCarthy like, scariest aspect of Trump 2.0. It also clearly puts the US in violation of its own Constitution's First Amendment, of the 1951 UN Refugee Convention and of several other international humanitarian laws and multilateral Conventions under the governance or responsibility of the UN Office of the High Commissioner for Refugees (UNHCR). Rather than abide by international human rights law, the US has withdrawn from the UNs Human Rights Council, making itself unilaterally unaccountable to them.

Taken together, the implications and impacts of all these largely unconstitutional measures constitute, perhaps, the US' greatest political and governance crisis in the entire period of its Independence, 250 or so years ago.

Sadly, none of the institutions of the US (Congress, Senate, Supreme Court or the main opposition party - the Democratic Party) have thus far demonstrated any effective check or balances to even the worst of Trump's excesses. The only constraining force on Trump and his Cabinet members in the next four years that can emerge will be:

- if there are significant Republican losses in the US Congress and Senate in the 2026 mid-term elections, or
- through the cumulative impact of the Administration's own self-goals which have already been numerous and grow by the day, or
- if that may be required by the President's own personal business gain or narrow self-interest (one of his most predictable characteristics).

*Economic Uncertainty, Cruelty and Irresponsibility*

Between the global tariff war and the US Congress' recently approved "big, beautiful bill", Trump 2.0 is wreaking havoc on the US domestic economy. Nearly 90% of US based small businesses rely on imported goods while more than 20% of its agricultural sector depends on exports. US manufacturers rely on imports for more than 20% of machinery, products and components. More than 41 million US jobs (20% of all jobs) are linked to imports and exports (according to the US's own Business Roundtable). The multiplier effect of job losses will be in the tens of millions of additional jobs lost or affected once supply chains are severely distorted. The trucking industry is already suffering disproportionately.

The US Court on International Trade ruled on May 28 that Trump's April 2 tariffs exceeded any authority granted to him under the 1977 International Emergency Powers Act, the law which his Administration has cited for his reciprocal tariffs. The court also ruled against previous tariffs unilaterally levied on Canada, Mexico and China. The Court's ruling has been temporarily stayed by a federal appeals court till June 5 while the Government appeals. Regardless of the outcome of that process, the resulting uncertainty has frozen all planning and placed investment and business in a state of suspension. Oil prices recently plummeted below \$60 a barrel making drilling unprofitable. The uncertainty which has been created is because all Trump Administration policies appear to be based on his whims or moods. There is no real analysis or expertise, no peer review, no learning, no lessons, no valuing of experience. All of these taken together lead to policies that appear unintelligent and unintelligible.

On the other hand, in the medium term, Trump 2.0 economic policies to-date will also inevitably lead to rising inflation. When combined with lower economic growth (the US' 2025 first quarter GDP growth rate was a negative 0.3% as against the 2-2.5% predicted by the Trump Administration) and stalled investment which is already in evidence given the huge uncertainties and overall poorer economic climate, the US is more than likely to witness stagflation for the first time since the 1970s.

But this is not the full story. Even worse is to come. Trump 2.0's "big, beautiful bill" has regressive tax cuts in favour of the rich, and health care cuts for the poor as its core ingredients. This Bill narrowly passed the US Congress by one vote (215-214) in the third week of May but is yet to pass the Senate where it could still be defeated because of growing internal dissent in the Republican Party. At least four Republican Senators have raised serious concerns about it and Trump's party only has a three-person majority. There is also mounting resistance over the multi-trillion-dollar tax cut plan from financial markets, economists, and even Elon Musk (who sees it as undermining his DOGE cuts). But if the Bill is passed by the Senate without changes to reduce its budget deficit, its measures are anticipated to result in a massive debt increase of \$3.8 trillion over 10 years (Congressional Budget Office). The broader debt context adds urgency: the US national debt has already surpassed \$36.1 trillion and is still climbing including through future pressure from Social Security and Medicare. The recent Moody downgrade of the US' credit rating is directly linked to the additional federal debt expected because of this legislation. Investors, meanwhile, are reacting with scepticism: the interest rate on a 10-year Treasury note is now around 4.5%, a dramatic jump from the 2.5% rate when Trump 1.0 tax cuts became law in 2017.

The White House insists that economic growth will offset the tax cuts' cost. The Chair of its Council of Economic Advisers said that the economy will grow by 3.2% per annum---far above the Congressional Budget Office's 1.9% projection. The White House also says that tariffs will generate enough revenue to shrink the deficit, but recent court rulings cast doubt on the legality and validity of his emergency declarations and bring into question whether he will be able to impose the sweeping reciprocal import tariffs proposed.

Indeed, no serious and credible economist appears convinced by the Trump Administration's figures and analyses. Many regard the plan as "mostly not growth or competitiveness-oriented tax cuts" and warn that high long-term interest rates will harm and even stunt economic growth. The expected positive "trickle down" effects of the tax cuts, even if some materialize, are likely to be small and wholly inadequate to reverse either the current adverse economic trends or the negative economic impacts of the Bill on America's most vulnerable population groups.

It is estimated that US residents making between \$17,000-51,000 a year will lose about \$700 a year but if you are among the top 0.1% of earners you'll gain nearly \$390,000 a year.

The non-partisan Congressional Budget Office says the bill will result in cuts of at least \$715 billion in healthcare spending, mostly from Medicaid. This is estimated to result in the loss of Medicaid for at least 8.6 million US citizens/ residents, probably a few million more. It also cuts \$300 billion from the Supplemental Nutrition Assistance Program, causing more than 2.7 million American households to lose these benefits. The increased debt also activates a 2010 law which will trigger offsets cutting even Medicare by an estimated \$500 billion.

The Bill is therefore likely to accentuate the impacts of the economic downturn for already poor, vulnerable and under-privileged American citizens and residents. An estimated 25-40% of Trump's MAGA base is dependent on federal health care, with the exact percentage depending on which county they live in.

#### Academia and Research

India's first Prime Minister, Pandit Jawaharlal Nehru, had placed science and technology development in both academia and research as well as their application in practice at the top of his political agenda. He considered independent academic institutions, without any interference by the state, as critical to a functioning democracy. As far back as December 1947 he wrote that "A university stands for humanism. For tolerance, for reason, for the adventure of ideas and the search for truth.....if universities discharge their duty adequately, then it is well with the nation and the people. But if the temple of learning itself becomes a home of narrow bigotry and petty objectives, how, then, will a nation prosper, or a people grow in stature?" He also said "the scientific temper points out the way man should travel.... the scientific approach.... the search for truth and new knowledge.....all this is necessary, not merely for the application of science but for life itself....".

Higher education in the US has consistently epitomized all of this and more for decades since the end of World War II. This is why it has continued to attract the world's best and brightest, not just in the liberal arts and humanities education areas but in science, technology and engineering. It has been a magnet for international students despite the high, even prohibitive cost of higher education in the US, because of its quality and innovation, and the opportunities it provided millions of immigrants from around the world over decades.

The Trump Administration and some University senior managements, in fear of the Administration's attacks and federal grant cuts, are in the process of undermining these gains, often falsely, using "antisemitism" as their common weapon. This is slowly but surely destroying one of the US' most powerful and durable global comparative advantages responsible for its longstanding global leadership over the last 80 years.

The Administration compounded the problem recently by placing a hold on issuing student visas for the forthcoming US academic year till they check and scrutinize the social media accounts of applicants for anti-Trump Administration posts. They have also moved with abandon to both deny

and revoke student visas as well as attempt to expel foreign students at several top Ivy League and other universities. Chinese students are the worst affected, but many Indians are affected as well. A third of the foreign students in US Universities, or around 330,000, are from India. The number has grown, surpassing China in the 2023-24 school year.

Trump's continuing assault has also targeted the funds of the National Science Foundation (NSF) and of the National Institute of Health, which support health and other lifesaving and cutting-edge research conducted by top US Universities, especially Ivy League institutions such as Harvard and Columbia University which have provided the best research ecosystem in the world. More than 1700 research grants at the NSF, amounting to \$1.4 billion had been cancelled by the third week of May 2025 according to a list published by the foundation, affecting virtually every area of science—extending far beyond the diversity programs and other “woke” targets that the Trump Administration says it wants to cut. These research grants and programs have been critical to maintaining the United States' position as a global leader in science, technology, engineering and math (STEM).

With both research grants and the welcome mat withdrawn for promising researchers from around the world, America is at risk of losing its long-standing pre-eminence and global supremacy in health, biology, the physical sciences and other fields. Some researchers already in the country as well as those who were planning to go to the US this year have decided they will now take their skills elsewhere.

Taken together, this continuing attack on many aspects of US academia and research represent a series of early and devastating self-goals against the United States of America by President Trump and his loyalists.

Chinese state supported universities and research institutions were already beginning to lead the US in some STEM areas. Trump 2.0 will now accelerate their lead.

## **Implications and Options for India**

### *Emerging Geopolitical and Geo-Economic Trends: Implications for India*

The clear global and regional (Asia-Pacific) winner of Trump 2.0's destructive chaos and Russian roulette is likely to be the People's Republic of China, not just in the UN and other multilateral bodies where its influence will substantially increase and where it will seek to put its own illiberal stamp on the future of multilateralism more firmly, but also through its growing influence in or over major regional plurilateral bodies such as the Regional Comprehensive Economic Partnership (RCEP) and the Association of Southeast Asian Nations (ASEAN), both of which it already significantly influences. This alone represents an overall loss for India in both global and regional geopolitical and geo-economic terms, given its age-old rivalry and animosity with China.

India's Minister for External Affairs, S. Jaishankar, has been repeatedly and widely quoted as commenting that India, unlike, much of the world, welcomes Trump 2.0 and is not worried. He is also quoted as saying that the world is headed towards multi-polarity which he welcomes. But his idea of multi-polarity and Trump's vision of it, clearly, significantly differ.

Trump, ideally, would far prefer his own unipolar global empire. In any case, he does not recognize either India or even South Asia as one of the multi-poles if a multi-polar world emerges primarily because of a hastened US decline caused, ironically by Trump 2.0's numerous self-goals benefiting China. His actions have made clear that he only recognizes a power play involving two individuals other than himself--- President's Xi and Putin. Part of his mixed, inconsistent and unfulfilled

messages on ending the existing wars in Ukraine and Gaza and reducing US interventionism in the world suggest that he is resigned to leave the Asia-Pacific region largely to China, and Europe largely to Russia, while claiming the Americas for the US, - if indeed even that is at all necessary. In any case, India does not figure in this multi-polar world.

Regardless of whether and when such a multi-polar world emerges (the EU will certainly continue to strongly contest any such role over Europe for Russia), the emerging geopolitics and geo-economics in the Asia-Pacific (or Indo-Pacific as India prefers to call it) suggest that India will need to learn to live under China's leadership of the region in which the latter is already a hegemon, having overtaken the US in its influence.

While these are now the objective facts on the ground, this is unpalatable to most of India's political leadership across the board and many of its citizens, most of whom are in denial on this set of issues. Despite this, both the country and its citizens will need to adjust to this emerging reality. The quicker India acknowledges and accepts the real situation and takes appropriate actions in its own interests, the better for it in the medium to long run.

Economically, the RCEP, the largest trade bloc in world history, now effectively led by China, is a practical case in point. India should have joined it in 2020 at the ASEAN Summit in Hanoi, Vietnam where it was created. It should now lose no more time and join it on the best terms it can obtain.

Militarily and from a security perspective, the Indo-Pak four-day crisis of 2025 demonstrated both China's growing, and already technologically formidable, military and security role in South Asia, especially but not only in support of Pakistan. Its repeated forays over many years into the South China Sea, especially in Philippines and Taiwanese waters, and its takeover of Hong Kong are examples demonstrating its growing military and security influence in East and Southeast Asia.

Militarily, the recent India-Pakistan clashes also clearly demonstrated that the US under Trump cannot be relied on to explicitly support India in any future war against Pakistan-based terror groups. The \$1 billion International Monetary Fund (IMF) bailout package for Pakistan after the 22 April Pahalgam terrorist attacks in Kashmir could not have been approved without US support. Trump has also since indicated in multiple ways that the US regards India and Pakistan as equal US partners, a marked departure from recent US Administrations. His repeated offer to mediate between India and Pakistan on the Kashmir and other issues, thereby internationalizing them, is also anathema to India.

The US, under President Trump, cannot be relied on to avoid providing military and other support to Pakistan since it possesses significant deposits of rare earth minerals in Balochistan and Gilgit-Baltistan. There is also the prospect of cryptocurrency business deals involving Trump's family. All of these are likely to give Pakistan considerable leverage with the US in defence and other areas.

The war also visibly demonstrated China's explicit and full military support to Pakistan, which together with Türkiye largely compensated for the asymmetrical military equation between India and Pakistan in previous encounters because of the former's much larger size and defence budget. China's technological edge and latest formidable military arsenal were also on display. Its formidable PL-15E missiles which appear to have shot down a number of India's French made Rafale, MIG-29 and other aircraft have been more than a match for the latest Western military technology and assets that India has recently acquired.

India must now protect and be on high alert on its multiple borders with both Pakistan and China simultaneously since the Galwan episode is far from concluded. It cannot also ignore its border with

Bangladesh, given its recent conflictual relationship with that country. China, on the other hand, with a much more tech advanced military, only needs to worry about its borders with India in South Asia.

From a political perspective, many ASEAN and even most South Asian countries (e.g. Bangladesh, Nepal, Sri Lanka, Maldives, in addition to Pakistan) may be willing to live under the certainty of China's umbrella as opposed to the increasing unreliability and inconsistency of the US umbrella. Even Japan and the Republic of Korea, two of the US' oldest and most loyal allies and China's greatest historical foes in the region, recently began talks with China on a trilateral trade pact, after the US levied its hostile, reciprocal tariffs on them.

Trump 2.0, as it progresses, is likely to reinforce these geopolitical and geoeconomic realities in the region.

As a result, the Trump regime is unlikely to be good either for India's genuine national interest or even the narrower self-interest of India's current ruling dispensation, notwithstanding the unsurprising and visible chemistry between Prime Minister Modi and President Trump, both known illiberal leaders, who bonded in front of large crowds both in India and the US during Trump 1.0.

The Prime Minister, External Affairs Minister and many other BJP Government Ministers and Indian mainstream media commentators have welcomed Trump 2.0, believing that India can rely on the US as an all-weather friend, given its rivalry with China. They fail to understand or take adequate cognizance of the incontrovertible and overwhelming evidence indicating that Trump is opportunistic, transactional and totally untrustworthy all the time, except with his long-proven loyalists and when it comes to recognizing the few people he considers powerful and ruthless such as Presidents Putin and Xi, with whom he is most often on his best behaviour, even if sometimes even that is not good.

India will only gain his real attention and admiration if it visibly and convincingly demonstrates that it can, indeed, be an effective bulwark against China in the region and globally. For it to demonstrate this convincingly, India will need to stand up to China militarily, economically, technologically and diplomatically, neither of which seems possible in any real, practical sense for the foreseeable future.

In this context, it must be asked if India can catch up with China on cutting edge technologies such as AI since, for both better and for worse, the technologies associated with it will increasingly determine the economic, military, social and political future.

Policy work on AI in India began only during 2018-2019. China has had a head start over India in AI for well over a decade. Moreover, AI projects funded for strategic purposes such as military and law enforcement, smart automation and intelligence have been part of China's technology plans for more than three decades with AI being included in the country's five-year plan back in 2006. China has also used deep tech for military, law enforcement, image recognition and facial recognition purposes for some time now. It has used AI automation for strategic autonomy since 2008/09.

China's total research output is also several multiples of India's and becomes more substantial when measured by the quality of publications against their quantity. While ASPI judges the quality of Chinese papers to be high, it assesses the quality of Indian papers to be generally low. Fintech is the one AI area of India's competitive advantage vis-à-vis China, but this is a mainstream AI application, not an example of cutting-edge generative AI development.

Moreover, unlike China, India does not have good examples of government led information technology (IT) services or infrastructure. Its main role has been to keep out of the way of the private sector in this area while providing them with some incentives.

On another important front, while India continues to self-proclaim itself as the leader of the Global South, China, through its dominant role in the BRICS, the Shanghai Cooperation Organization (SCO), the Belt and Road Initiative (BRI), the Asian Infrastructure Investment Bank (AIIB) and other long-standing programs has been and is likely to remain much more economically, financially, technologically, militarily and politically influential with developing countries across the world.

India also needs to learn the right military and security lessons from the recent brief but extremely worrying China-Pakistan-India crisis, recognizing that China is now a dominant technological and military power not just in the South China Sea but in South Asia as well. To balance this equation, it will need to make its procurement of military hardware much more technologically cutting-edge and coherent as opposed to the mixed bag shown by it against Pakistan recently. This implies increasing and balancing its defence imports from both France and the US, while at the same time more quickly phasing out its military dependence on Russia.

It should also be understood in the wider geopolitical regional context that India's Act East policy has been too little, too late, and is therefore a non-starter in terms of providing any serious competition to China in East and Southeast Asia.

#### *The India-US Bilateral Trade Agreement (BTA)*

India appears to have prioritized this proposed BTA above all other trade agreements to escape Trump's global tariff war. But, regardless of whether Trump's 26% reciprocal tariffs on India are reduced or waived, there is no escape now from Trump's tariff uncertainties and consequences, nor should India believe, as some of its senior policy makers and citizens appear to, that it is a favoured trade partner of the current US Administration. Trump clearly does not want Indian or any other country's supply chains to replace Chinese, Vietnamese or other ones for I-Phones, garments or other labour-intensive products. He is unwilling to allow manufacturing or even assembly in India for export to the US as his recent late May threat of a 25% tariff on Apple I-Phones imported into the US from India, China, Vietnam and Thailand clearly indicated.

Trump and his loyalist trade advisers want to eliminate or at least drastically reduce India's current trade surplus of a little over \$ 40 billion with the US, not increase it or leave it untouched. To enable this, they want zero Indian tariffs across the board ideally as Trump has, hopefully incorrectly, repeatedly said India has agreed to already. He also wants tariff-free market access for US exports to India in defence/military, agriculture, automobile, industrial, technology and other sectors of the Indian economy together with the elimination of India's genetically modified (GM) and other non-tariff barriers.

The BTA that India has prioritized to reach preliminary agreement on by July 8, with a full first phase agreement by September-October 2025 is unlikely to be achievable. If there is any agreement, it is unlikely to be in India's favour. India's exports to the US are likely to face minimum tariffs of between 10-20% across the board, making them less competitive than at present, while to avoid even higher US import tariffs, India will be expected to drastically reduce its tariffs in many sectors which it can only do at the risk of creating further job losses in an already dismal employment situation. A largely one-sided BTA will come at the cost of the destruction of a significant number of micro, small and medium enterprises (MSME), farmer agitation, unemployment and imported inflation in India, among other disruptions and drawbacks.

The BTA is also unlikely to reverse the tighter US immigration rules and restrictions on the grant of new student F1 and H1B visas under Trump 2.0.

### *India's Economic Relationship with China*

India is already significantly and increasingly dependent on China for its import of strategic and critical intermediary products, and this dependency has recently grown, with its trade deficit with China having increased to \$ 99.2 billion in the 2024/2025 fiscal year that ended in March 2025, significantly up from \$85.08 billion in the previous fiscal year. Indeed, India's imports from China over the last few years have grown at a much faster pace than its imports from the rest of the world, despite many restrictions on Chinese businesses following the India-China Galwan military border clash in 2020. India should, therefore, urgently find a way to balance its overall economic relationship with China. It needs to urgently place the highest priority on its trade and broader economic relationship with the EU, placing this relationship at a higher level than its BTA with the US and the recently concluded trade agreement with the UK which, while much celebrated recently, is of relatively limited consequence for India, with few really significant economic benefits for India's sustainable human development.

### **The Likely Future Scenario and a Way Forward (or Back from the Precipice) for India**

Is 2025 that crucial moment in the 21<sup>st</sup> century when the pendulum begins to more vigorously swing not just against democratic liberalism in terms of the global order, but also against the United States, an already declining power, and in favour of the People's Republic of China, as the ascending global power, making it "primus inter-pares" in a tri-polar ( not unipolar) world more quickly than was possible to imagine before Trump 2.0?

Regardless of whether and how quickly the above-mentioned shifts in global geopolitics materialize, India needs to understand that it cannot now stop China's rise in the Global South, across the world or in multilateral and other global fora such as the UN, World Bank and IMF. Nor can Russia's and the US' decline on the global stage be stopped. As such, India will need to come to terms, sooner hopefully rather than later, with China's global rise and almost hegemonic dominance in what India and President Trump since Trump 1.0 prefer to call the Indo-Pacific region, which China and many other countries in the region still refer to as the Asia-Pacific region.

More fundamentally and importantly, if India wants to truly differentiate itself from China and offer a real alternative to it globally, gaining the world's respect in the multilateral system once again as well as the leadership role of the Global South that it once had in its early post-independence period and so badly desires once again, then it will need to abandon what its Nobel Economics Laureate Dr Amartya Sen has referred to as its Hindu majoritarian nationalist "communal fascism" of the last 11 years.

It will also then need to urgently return to its founding roots: "The Idea of India" which had 5 main components, and which formed the "Nehruvian consensus" at India's Independence and for the 17 years that he was Prime Minister. These were **sovereignty, democracy, secularism, pro-poor orientation and modern scientific outlook**. Instead, by becoming Prime Minister Modi's "Bharat", India has sadly, over the last decade, abandoned the last four of these while defining its sovereignty in narrow communal, Hindu nationalistic and majoritarian terms.

All five components of the "Idea of India" remain critical, though they do need to be adapted to 21<sup>st</sup> century realities and challenges if they are to be relevant and effective in today's greatly changed world from 75 years ago when they were first put forward by Nehru. The most important of these five are the inseparable combination of democracy, secularism and civil liberties which go hand in

hand and have been most eroded in India over the last decade. Only by reclaiming these unequivocally and fully can India even aspire to out-compete China in some future, still distant decade of the 21<sup>st</sup> century, gaining genuine respect both within the Global South, in global and multilateral fora and more broadly, on the global stage.

The relationship between democracy and civil liberties was perhaps best expressed by Mahatma Gandhi, the tallest of Indian leaders, when he said “Civil liberty consistent with the observance of non-violence....is the foundation of freedom. There is no room there for dilution or compromise. It is the water of life. I have never heard of water being diluted.” (**Harijan, 24 June 1939, *Collected Works of Mahatma Gandhi, Vol. 69, p.356 as quoted in *Nehru’s India, Past, Present and Future, Aditya Mukherjee, Vintage, An imprint of Penguin Random House, India, 2024****).



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