



Data and a new global order

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(Mains GS 2 : Bilateral, regional and global groupings and agreements involving India and/or affecting the Indian interests)

Context:

- The shift of global power from the Atlantic to the Indo-Pacific raises strategic questions for India.
- India should abide by its neutral contender role to both China and the U.S. as question arises whether the United States defends multilateral rules or hegemony over the rules it has set.

The shifting of power:

- The Industrial Revolution restructured the global manufacturing order to Asia's disadvantage.
- But in the 'Digital Data Revolution', algorithms requiring massive amounts of data determine innovation, the nature of productivity growth, and military power.
- Mobile digital payment interconnections impact society and the international system.

The strategic implications of digital data.

- - First, because of the nature and pervasiveness of digital data, military and civilian systems are symbiotic.
- Cybersecurity is national security, and this requires both a new military doctrine and a diplomatic framework.
 - Second, the blurring of distinctions between domestic and foreign policy and the replacement of global rules with issue-based understanding converge with the growth of smartphone-based e-commerce, which ensures that massive amounts of data give a sustained productivity advantage to Asia.
 - Third, data streams are now at the centre of global trade and countries' economic and national power.
- Thus, India has the capacity to negotiate new rules as an equal with the U.S. and China.

A renewed strategy:

- Innovation based on data streams has contributed to China's rise as the second-largest economy and the "near-peer" of the U.S.
- The U.S. Indo-Pacific Commander recently said the erosion of conventional deterrence capabilities was the greatest danger in the strategic competition with China.
- The national security strategy of the U.S. puts more emphasis on diplomacy than military power to resolve conflicts with China, acknowledging that its military allies have complex relationships with Beijing, as it seeks to work with them to close technology gaps.
- China's technology weakness is the dependence on semiconductors and its powerlessness against U.S. sanctions on banks, 5G and cloud computing companies.
- But its Fourteenth Five Year Plan emphasises a \$1.4-trillion strategy for the development of science and technology.
- China's digital technology-led capitalism is moving fast to utilise the economic potential of data, pushing the recently launched e-yuan and shaking the dollar-based settlement for global trade.

The growing Asia:

- China has a \$53-trillion mobile payments market and it is the global leader in the online transactions arena, controlling over 50% of the global market value.
- India's Unified Payments Interface (UPI) volume is expected to cross \$1 trillion by 2025.
- The U.S., in contrast, lags behind, with only around 30% of consumers using digital means and with the total volume of mobile payments less than \$100 billion.
- The global strategic balance will depend on new data standards.
- Earlier this year, China formed a joint venture with SWIFT for cross-border payments and suggested foundational principles for interoperability between central bank digital currencies at the Bank for International Settlements.
- The U.S., far behind in mobile payments, is falling back on data alliances and sanctions to maintain its global position.

The India's concern:

- India's goal is to become a \$5-trillion economy by 2025.
- While the country is fast-tracking its digital rupee, the challenge is promoting engagement with major powers while retaining its data for innovation and competitive advantage.

Fluid dynamics:

- With Asia at the centre of the world, major powers see value in relationships with New Delhi.

- India fits into the U.S. frame to provide leverage but China also wants India to see it as a partner, not a rival.
- And China remains the largest trading partner of both the U.S. and India despite sanctions and border skirmishes. These fluid relationships have their own trade-offs.
- India, like China, is uncomfortable with treating Western values as universal values and with the U.S. interpretation of Freedom of Navigation rules in others' territorial waters.
- New Delhi's Indo-Pacific vision is premised on "ASEAN centrality and the common pursuit of prosperity".
- The European Union recently acknowledged that the path to its future is through an enhanced influence in the Indo-Pacific, while stressing that the strategy is not "anti-China".
- The U.S. position in trade, that investment creates new markets, makes it similar to China's Belt and Road Initiative.

Conclusion:

- India alone straddles both U.S. and China-led strategic groupings, providing an equity-based perspective to competing visions.
- It must be prepared to play a key role in moulding rules for the hyper-connected world, facing off both the U.S. and China to realise its potential of becoming the second-largest economy.