

The China Symposia

(A series to develop a broader and deeper multi-dimensional understanding of China)

Round Table on

‘India-China Economic Ties: The Way Forward’

23 March 2016

Time: 09:30 AM - 01:00 PM

Venue: India International Centre, New Delhi

The Round Table discussion on India-China economic ties was held on the 23 March 2016 in the India International Centre (IIC), New Delhi. It's part of a joint effort by the Institute of Chinese Studies, the Ananta Aspen Centre and the IIC. Noted and eminent scholars, practitioners and former bureaucrats discussed varied aspects of India-China economic ties and the evolving trajectories. The round-table was chaired by former National Security Advisor (NSA) Ambassador Shivshankar Menon.

Amb. S. K. Lambah delivered the welcome remarks wherein he focused on the following points:

- Security architecture based on Asia for Asians
- Connectivity represented by the Silk Route
- The financial institutions started by the Chinese
- Military Modernization
- China's indication to be a major maritime power in the Indian and Pacific Ocean

Amb. Lambah discussed the challenges that China is facing at present which includes demographic and economic problems. With regard to India-China relations, he discussed how India and China are members of some of the important regional partnerships like BRICS, East Asia Summit, basic group on climate change and G20. He was of the opinion that the Regional Comprehensive Economic Partnership (RCEP) brings India and China in a trading arrangement and India's membership in the AIIB and BRICS bank too gives India an additional pillar of engagement with China. In essence, his

message was, India should be prepared for it.

After the opening remarks, Prof. Alka Acharya, Director, Institute of Chinese Studies, explained the context and relevance of organising the round table after the successful culmination of three symposiums under the banner of the ICS-AAC-IIC China Symposia. She began by referring to the famous maxim, 'politics is the most concentrated expression of economics' wherein, economics is the new strategy. Prof. Acharya argued that it is not that the economist who has been continuously getting China wrong, but that China has continuously defied the economists.

Amb. Shiv Shankar Menon made a few comments on India-China economic relations before opening the floor for discussion. He explained how India and China have been exposed to different kinds of development processes over the last twenty years. Though India and China have similar problems like gender imbalances, regional disturbances, rural-urban divides; the way these two countries represent these problems is different and India-China economic relations have to carry a huge geo-political weight so far. During the course of his speech, he raised questions like why are the Chinese investments in India so small and why don't the Indians use the Chinese capacities in infrastructural building? Amb. Menon highlighted that the gap in economic relations between India and China is a result of political inhibitions on both sides.

Dr. Geetanjali Natrajan presented her views on India-China bilateral trade. Her main focus was on India-China trade deficit. Dr. Natrajan believed that the trade deficit is a long term problem which will take many years to be resolved. She also mentioned that though China is the largest trading partner, the amount of FDI that India receives from China is extremely less. However, she recognises that there is potential in joint ventures, like in solar panels.

The ensuing discussion revolved around the rise in Chinese investments in India in the last two years. It was also clarified that the multiplication of Chinese businesses in India owed to the acumen of Indian entrepreneurs who recognised that Chinese products were competitive and hence, worked towards creating a market for them in India. India's laissez faire policies contributed to this process. Hence, it would be incorrect to attribute the growth of Chinese businesses in India as merely an outcome of Chinese initiative. The smartphone wave in India is an example of how multiple factors underpinned its success.

There was also a detailed discussion on Chinese companies in India. According to Santosh Pai, the

founder and head of the India-China practice at D. H. Law Associates, phenomenon of Chinese companies investing in India is a very recent trend. He informed that Chinese investments in India are also exploring new areas like biotechnology. Further, Chinese companies tend to acquire a level of sophistication over a period of time. However, Chinese investments in India find minimum reportage in the Indian media. In a nutshell, he believes that a Chinese would never refuse to invest in India and a chance to make money.

The discussion on trade and investment continued with two important comments from Ravi Bhoothalingam, Honorary Fellow at ICS. Firstly he commented that there is a huge asymmetry of knowledge between people in China and India about each other. For instance, Chinese goods in India include things like Diwali lights, show pieces of Gods like Ganesha etc. which shows that the Chinese have a very strong idea of the requirements of the Indian markets. However, Indians do not seem to have the corresponding depth of knowledge about the Chinese market because individual traders do not possess the necessary capacity to deal with obstacles like language and legal support. Secondly, in his view, there needs to be greater cooperation between the government and business sector in order to improve trade relations between India and China.

The round table discussion then turned towards China's One Belt One Road (OBOR) initiative, the Trans-Pacific Partnership (TPP), and the Regional Comprehensive Economic Partnership (RCEP) with some amount of focus on infrastructural projects. A comment was made about the need for India to acknowledge the evolution of China's position on TPP from hostility to open-mindedness. Further, the discussions veered around the extent of India's interest in China. The participants had opposing views on whether China figured in the agenda of the Ministry of Finance of the government of India. The low figures of Indian exports to China is a testimony of the Indian business sector's lack of initiative and effort.

The round table concluded with a vibrant discussion on how the security part of the India-China relation is actually the main reason behind the hesitation in the economic relation. The focus once again came back to the OBOR and India's indecision towards it. Some felt that India was losing out by not taking a stand on OBOR. For instance, the maps of OBOR, when it was still called the Silk Road Economic Belt (SREB) and Maritime Silk Road (MSR) two years ago, had India as an important part, which is no longer the case. This was seen as a loss to India as now China is approaching Sri Lanka and Nepal, and the China Pakistan Economic Corridor is a major component of the OBOR.

The chair concluded the roundtable by reiterating how there is nothing called mere economic problems between India and China, as security issues tend to overshadow the bilateral relations more often than not.