A plan for deeper India-China engagement

Would not all-round economic engagement between China and India be in the mutual interest of both countries? More of the discussion in India on economic relations with China is focused on short-term trade and investment issues, but huge mutual benefits remain to be realized. The most obvious example is China and India's potential to develop expanded and deeper bilateral ties.

While China is India's largest bilateral trade partner, with over $100 billion in 2010-11 being bilateral trade partner's share of the world's output, the same amount in 2002, the two countries still trade only in a few sectors. China and India together have $2 billion in trade, but this is still a relatively low figure compared to other trading partners, particularly in the developed world. For instance, more than half of China's bilateral trade is with Japan, and India's is with China. As India's exports, the overall India-China-China's exports are very small. Further, over the years, India's exports have been on a rising trend. India's exports now (2018-19) amounts to $88 billion—a rise of $38 billion over the last year. The deficit on China's economic relations with India is the same as India's trade deficit with China, which is a reality and a worry. However, we need to look at the overall India-China-China's trade deficit in this aspect. India's exports to China consist predominantly of commodities and raw materials such as iron ore. While India is not yet competitive in many value-added sectors, there are areas such as IT and pharmaceuticals where we do have advantages. As one example, the price of several Indian generic drugs is well below what the Chinese charge for their medications.

So, in short, India-China-China's economic cooperation has to be seen in the context of both countries' mutual economic relations. The two countries have complementary economic ties, and the potential for China and India's trade and investment relations is enormous. The two countries have economic and business relations which are mutually beneficial and should be expanded.

In 2018, India's imports from China were $53 billion and India's exports to China were $35 billion. This year, India and China have been trading with each other in a number of sectors. In this context, it is important to note that the two countries have a trade deficit with China, which is a reality and a worry. However, we need to look at the overall India-China-China's trade deficit in this aspect. India's exports to China consist predominantly of commodities and raw materials such as iron ore. While India is not yet competitive in many value-added sectors, there are areas such as IT and pharmaceuticals where we do have advantages. As one example, the price of several Indian generic drugs is well below what the Chinese charge for their medications.

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