

India Inc could gain much from Chinese Premier Xi Jinping's visit

BY INVITATION

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With a strong foundation of close historical contacts and shared geographical space, the two giant Asian economies together can catalyse the global economic growth path to a new level. The informal visit of China's President Xi Jinping at the invitation of Prime Minister Narendra Modi builds upon multiple exchanges between the two leaders in the recent past and promises to create a new atmosphere of friendship and collaboration.

While strategic issues are expected to take centre-stage in the discussions, economic opportunities will also be at the top of the agenda. At a time when global trade is forecast to be subdued, commer-

cial relations between China and India are on a strong upward path. With the Regional Comprehensive Economic Partnership (RCEP) negotiations also underway, the informal visit could accelerate trade in goods and services and bilateral investments.

Bilateral progress

Regarding merchandise trade, the high trade deficit between the two countries in favour of China has often been mentioned. The total goods trade stood at \$87 billion in 2018-19, with China's exports at \$70 billion. On the services side, data shows bilateral trade at \$2.5 billion in 2016, with India exporting around \$1.5 billion to China.

The story on the investment side is at a very positive place and is gaining speed at a robust pace. As per India's official data, China's cumulative

investments stand at \$2.3 billion, but other sources show that the figure could be as high as \$8 billion. Almost four-fifths of this has come into India over the last five years. In the other direction too, Indian companies are expanding their presence in China and as per a CII survey, their long-term strategies include increasing their investments there.

The key point to note is that China is a top importing nation and as such, India can derive huge benefits from being part of China's global supply chains. Emerging sectors of renewable energy, Industry 4.0, health-tech, green products, and the entire digital space offer exciting new opportunities for collaboration as well.

CII believes that the two countries can work on three dimensions to accelerate



Chinese President Xi Jinping's informal visit at the invitation of Prime Minister Narendra Modi builds upon multiple exchanges between the two leaders in the recent past REUTERS

their economic collaboration. The first would be to ensure that goods trade is more sustainable and balanced, and enhance India's exports to China. The second is to attract more Chinese investors into India's manufacturing sector for opportunities in China's market as well as in other countries. The third effort

should be to build up bilateral services trade. These would benefit from policy action by the two governments as well as closer business-to-business engagement, especially between small and medium enterprises.

For the first dimension, sectors of India's global strengths are a great place to

start. Sectors such as automobiles, pharmaceuticals, agricultural products, and electronics and machinery can enlarge their presence in China. For example, India's exports of pharma products have crossed \$14 billion but stand at less than \$50 million in China.

Mutual recognition pacts

Trade officials should explore mutual recognition agreements and attempt to lower time and costs required for exporting from India.

The second key strategy would be to attract Chinese investments into India's manufacturing sector. Many large Chinese companies such as Huawei, Haier, Xiaomi, and others have set up manufacturing facilities in India with great success and this positive trend needs to be accelerated. The larger companies may

also look at locating some of their top ancillaries in India to encourage and involve SMEs. Major sectors where this would prove lucrative include electronics, machinery, equipment, chemicals, and so on.

Chinese venture capital has made excellent inroads into India's digital economy, investing across e-commerce, fintech and new-tech companies with notable impact. Some of India's start-ups have flourished with Chinese investments, making it to the billion-dollar unicorn club. This is leading to some great partnerships in innovation, business models, and global outreach and must continue to gain pace.

On the services side, Chinese tourists are among the biggest outward travellers and the Indian government has proactively worked on making India a preferred des-

tinuation. The Buddhist circuit could be a key attraction, and India's culture and crafts are also gaining attention in China. Another sector with potential is media and entertainment, going by the number of Indian films that are enjoying huge success among Chinese movie-goers. India's IT exports could also expand in Chinese provinces with facilitative policies.

The two ancient civilisations of India and China can together build a closer developmental partnership for the 21st century, given that this will be the Asian century. Businesses of both countries can bring their economies closer and we welcome President Xi and Prime Minister Modi's encouragement to this process.

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