Converging Interests - Indo – China relations

What is the issue?

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India and China need to focus on the synergies between them to take their bilateral engagement to the next level.

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What are the recent improvements in trade relations?

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- **Trade Imbalance** - India faces a negative trade balance of approximately $60 billion out of a total bilateral trade of $85 billion between them.
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- However, China is holding a view that as India is industrialising, its imports from China are likely to increase disproportionately.
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- On the contrary, the Indian viewpoint is that the two countries need to focus on intra-industry trade, and work toward diversifying the trade basket, so that trade in other sectors can also increase.
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- Moreover, there are marked similarities between their manufacturing policies — “Make in India” and “Made in China 2025”.
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- Thus, both countries thus need to give more policy attention on liberalising investment regime and reducing supply-side constraints.
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- **Non-tariff barriers** (NTB) - NTBs pertain to stringent rules on product certification and labelling standards, delays in customs clearances, and restrictions related to port operations for re-exporters.
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- These NTBs are frequently levied on the exported Indian goods in China.
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- However, China recently expressed its desire to reduce tariffs on 8,459 goods from India and few other Asian countries in sectors like chemicals, agriculture, soybean, clothing, steel, aluminum etc.
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What is their potential in tapping Uncoventional energy?

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- The hydrocarbon dependence of both these countries is very high.
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- Shale gas, coalbed methane and natural gas hydrates are now revolutionising the energy security discourse.
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- China has already formulated Energy Production & Consumption Revolution Strategy (2016-30) which intends to increase the share of natural gas to 15% of its energy requirements.
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- Also, India's National Energy Policy has called for addressing challenges related to exploitation of these unconventional sources.
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- In China shale gas is found in the basins of Tarain, Tuha, Sichuan and Ordos, while in India there are shale gas deposits in Krishna, Godavari and Cauvery basins.
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- Currently, both countries are looking for collaboration with other countries for harnessing their unconventional energy potential.
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- It would be a win-win situation if India and China look at each other to address systematic gaps, develop regional storage hubs, and secure mutual cost advantages.
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Where does their global interests lie?

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- **RCEP** - Both countries are looking forward to an early conclusion of the Regional Comprehensive Economic Partnership (RCEP).
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- Both sides view RCEP as a rule-based agreement capable of deterring protectionist tendencies and trade war escalation.
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- With a successful conclusion of RCEP negotiations, trade war can take a back seat.
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- This is because most of the production lines being relocated now owing to the fear of trade war are going to those countries which will ultimately come under the ambit of RCEP.
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- So, the long-term net result of joining this mega-bloc will be beneficial to all consumers, including those of India and China.
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- Moreover, as major chunk of global trade today happens in intermediate goods, a role in global value chain (GVC) participation is imperative for both these countries.
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- **South China sea** - South China Sea geopolitics continues to be a popular discourse in itself in redefining Sino-India relations.
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- China clearly asserted their sovereignty over the Sea through the nine dash line and expressed hope the dispute would be resolved through negotiations with countries who have competing claims.
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- The Nine-Dash Line is a vaguely located, demarcation line used by China for their claims of the major part of the South China Sea.
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- India also pitch for freedom of navigation in the South China Sea, since their geo-economic interests in the Exclusive Economic Zone of Vietnam.
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- Thus, the way ahead is to focus on the political economy of complementarities and synergies between India and China.
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- The outcome of this cooperation must benefit the people of the two countries.
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Source: Business Line

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