

Easing of Indo-China tensions may set the stage for more stable trade, say experts

OPTIMISM AMID CAUTION. India's low exports and high reliance on Chinese imports may need long-term policy efforts for redressal

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The thawing of political tensions between India and China, four years after relations soured following the Galwan valley clash, may set the stage for more stable trade with fewer disruptions. This development could benefit India's largest import source and crucial investment partner, sources have said.

However, some experts warn that India's low exports and high reliance on Chinese imports, especially in industrial sectors are structural issues that will require long-term policy efforts as lowered barriers for Chinese investments may not lead to technology transfer.

Stable relations can give a fillip to several key indus-

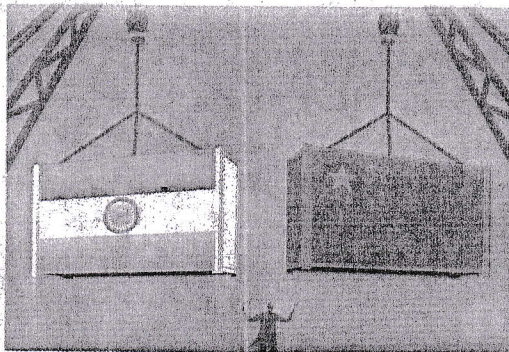
tries in India which rely heavily on Chinese imports such as telecommunications, electronics, pharmaceuticals, chemicals, plastics, solar energy and the automobile sector, said Ajay Sahai, Director General, Federation of Indian Export Organisations..

"Improved relations can reduce uncertainties and ensure stable supplies of components and raw materials, avoiding costly disruptions," he said.

TRADE NUMBERS

In 2023-24, India's bilateral trade with China stood at \$118.39 billion, of which imports from China were a whopping \$101.73 billion while exports were at \$16.66 billion.

With better bilateral relations, many Chinese firms will be keen to invest in PLI



REBUILDING BRIDGES. Better relations can reduce uncertainties and ensure a steady supply of raw materials

(production linked investment scheme beneficiary) sectors, pointed out Sahai.

"With local content criteria, it can lead to robust growth of our MSMEs as their ancillaries in a hub and spoke model. The potentials

for such investments can drive job creation and industrial growth. In the long term, it can address the issue of trade deficit both with China and overall trade deficit," he added.

While Chinese invest-

ments may flow into labour-intensive industries like garments or shoes, where local manufacturing might be further undermined, in high-tech sectors like electronics and electric vehicles, Chinese companies may focus on assembling products in India, with up to 90 per cent of components still being imported from China, said Ajay Srivastava, Founder, Global Trade and Research Initiative.

"It is unrealistic to expect a surge in Chinese investments, even if the restrictions (put in place by India on countries sharing land border with it) are eased. China has historically shown limited interest in making substantial investments in India, particularly in sectors that require technology transfer or strategic collaboration. Even before the con-

flict, China was reluctant to share technology in sectors critical to India's industrial growth, such as electronics and electric vehicles," Srivastava said. Long-term policy interventions would be needed to address the problems of high dependence on Chinese imports, he added.

Exporters are hopeful that better ties could lead to better market access for Indian exports in sectors such as bovine meat, agro and processed food, pharmaceuticals and IT sectors.

"China puts in place non-tariff barriers for Indian exports in sectors such as agriculture, pharma and IT exports. With improvement in relations, there could be better communication between the two countries to sort the matter," a Delhi-based exporter said.