

## **Asian Financial Forum 2017**

### **Concurrent Workshop: China-India Economic and Business Partnership**

#### **Synopsis**

With a combined population of 2.4 billion and huge increases in bilateral trade and investments, China and India are poised to become the leading economies of the 21st century.

Chinese President Xi Jinping and Indian Prime Minister Narendra Modi had met frequently in the past few years to discuss initiatives aimed at boosting bilateral trade and investments. Both countries are already strategic partners in many important international initiatives, such as the New Development Bank and the Asia Infrastructure Development Bank. However, many mutual market access issues remain. What are the challenges and opportunities for Chinese and Indian businesses? What are the sectors that will benefit most from a close economic partnership and integration between the two major powers?

#### **Sponsored by: China Daily**

#### **Welcome Remarks**

- **Mr Zhou Li**  
Editorial Board Member, China Daily Group; Publisher & Editor-in-Chief, China Daily Asia-Pacific
- **Ms Jenny Koo**  
Director, Service Promotion, Hong Kong Trade Development Council

#### **Moderator**

- **Mr Alexander Wan**  
Senior Advisor, China Daily Asia-Pacific

#### **Speakers**

- **Mr Puneet Agrawal**  
Consul-General of India to Hong Kong SAR and Macau SAR
- **Mr Ashwani Goel**  
Head and General Manager, TATA South-East Asia
- **Mr Vivek Pathak**  
Director, East Asia & the Pacific, International Finance Corporation
- **Ms Jing Ulrich**  
Managing Director and Vice Chairman of Asia Pacific, J.P. Morgan Chase & Co.

A new era of cooperation between India and Mainland China – the world's two biggest countries by population, and China's closer ties with the emerging Asian superpower could create a new era of prosperity for both countries.

Vivek Pathak, Director of East Asia and the Pacific for the International Finance Corporation, a World Bank Group organisation that advises and finances private sector projects in developing countries, told the workshop that India was an ideal base for the mainland's manufacturing industry to establish factories. "I would argue that in the medium- to long-term, global firms and Chinese firms would want a second base for manufacturing," Mr Pathak said. "You can't just survive in manufacturing out of one base; you would want a second base. And that is where India should position itself as the second base for manufacturing."

The majority of the panel stressed that the relationship between the two countries was more complementary than competitive, but Mr Pathak illustrated the point by suggesting that competition was limited to individual businesses – a healthy situation – and was not seen at the national level.

For example, among India's priorities was the need to increase its expenditure on infrastructure. For the period between 2011 and 2020, he said India needed to spend about 10 per cent of its GDP to build the infrastructure to create prosperity. Beijing had the financial skills and financial muscle to provide that investment. The involvement in India of the Asian Infrastructure Investment Bank, one of its financial vehicles for the Belt and Road Initiative, was "very, very logical", he said. The high level of complementarity extended to the creation of mobile telecommunications, in financial technology and in collaborating on climate change. Indian officials were eager to capitalise on the country's human resources pool, which he said was youthful, upwardly mobile, well-versed in the services sector and well educated. They would be part of an ongoing push to create "Made in India" products, not products made by India.

Ashwani Goel, Head of Tata South-East Asia, advocated a far greater level of cooperation between the two countries. He told the workshop that the Chinese mainland and India accounted for half of the world's trade in the 18th century and would again dominate global trade. The relationship between India and China was being watched the world over. "What I feel is the China-India partnership poses a threat, to most of the multinational companies who feel it's the New World Order which I think the Western World doesn't want. That's my personal opinion," he said.

The approaches of companies such as General Electric and Microsoft were examples of how multinational companies could utilise India's design and technology ability, the Chinese mainland's manufacturing power and export to world markets. These types of organisational structures were ideal for Indian and Chinese companies looking to cooperate in going global. "I think that the Asian Century is not possible without the collaboration of India and China. The key word to take it forward is collaborate and not compete," Mr Goel said. He later made note of the need to cooperate on the use and utilisation of natural

resources, including oil, and energy.

Tata owns the Jaguar Land Rover (JLR) brand and Mr Goel said the company had enjoyed great success in the Chinese mainland. It currently manufactures there and its biggest market is also China, accounting for 51 per cent of JLR's output. The session's moderator, Alexander Wan, Senior Adviser, China Daily Asia-Pacific, asked why more Indian brands had not enjoyed greater success in the mainland.

Mr Pathak said Chinese brands were generally well established and there were significant expenses for new Indian brands breaking into the mainland market. Mr Goel said it was an issue of brand strategy, to deliver a product that was free from national associations. He had earlier identified health tourism, education, information technology and artificial intelligence as sectors where India could assist the mainland's development and make sales.

Jing Ulrich, Managing Director and Vice-Chairman of Asia Pacific, J.P. Morgan Chase and Co. delivered a series of statistics that framed the relationship between the two countries.

While the Chinese mainland's GDP was currently about five times the size of India's, Ms Ulrich forecast J.P. Morgan Chase to be the fastest growing economy in the Asia-Pacific region this year with a rate of about 7.2 per cent. India was a powerful player in the automobile sector; tourism, entertainment and the creative industries were flourishing; and there were more than 12,000 high-tech start-ups in India that would help power growth.

"If China and India enhance their cooperative relationship, it would really help to boost the economic activity not just in both countries but in the Asia-Pacific as a whole," Ms Ulrich said. "We believe that would help light up the entire Asian region. A closer economic relationship between China and India would not only yield bilateral benefits but also many multilateral benefits.

"We think Hong Kong can play a critical role... given Hong Kong is really in the middle of China and India geographically, but in terms of financial linkages," she added. "Given Hong Kong's excellence in terms of financial services, consulting, legal services, I think Hong Kong can help China-India come much more closely together." The Belt and Road Initiative, for example, could make Hong Kong a "winner" from a closer bilateral relationship.

One issue currently affecting the bilateral relationship was India's trade deficit. From 2005, Ms Ulrich said India's trade deficit with the Chinese mainland stood at US\$3.5 billion and was US\$50 billion in 2015. The deficit has increased as trade between the two countries has blossomed, from US\$19 billion in 2005 to US\$72 billion in 2015.

The imbalance in trade was also an emphasis of the presentation by Puneet Agrawal, Consul-General of India to Hong Kong and Macau.

While the bulk of his message told of a deepening of the relationship, the two meetings between Indian Prime Minister Narendra Modi and President Xi Jinping last year, and the establishment of diplomatic mechanisms, he said there was a growing concern about the trade surplus. "India's exports to China are in steady decline. The Chinese leadership has said that China will seek ways to redress the situation and we would like to see specific steps in this regard including expedited market access," Mr Agrawal said. He suggested Chinese investment could also help redress the imbalance, bringing infrastructure and new technologies to India.

**Ends**