

# The Modi-Xi bonhomie at Wuhan

China and India are not only important for each other, they now have the power to influence the global narrative too

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The global interest generated by the visit of Prime Minister Narendra Modi to Wuhan for an 'informal' summit meeting with the Chinese President Xi Jinping is testimony to the importance of these two Asian giants in the present global order.

China and India are not only important for each other, their agreements or disagreements on issues can now influence the global narrative. The world today is dealing with intractable issues of terrorism, rise in protectionism and climate change, and both India and China have to make important contributions in these matters.

## Pain points

There are many sore points in Indo-China relations. The dispute arising from China's refusal to accept MacMahan Line as the international border hangs like Damocles' sword over our relationship and the stand-off at Doklam was a chilling reminder of it.

China's unqualified support to

Pakistan has also been a cause of concern here. It has allowed Pakistan to raise its stakes against India.

India has also expressed its displeasure at the 'One Belt One Road' project passing through Pakistan occupied Kashmir. India's attempt to get Masood Azhar designated as an international terrorist by the United Nations has constantly been vetoed by China.

It has also frustrated India's goal of becoming a member of the Nuclear Suppliers Group. China's refusal to share river water data on Brahmaputra is also an irritant.

China has its own reasons to be frosty with India. India's asylum to Tibetans is not viewed very kindly by it. India's growing proximity with the US and the coalescing of this association with Japan and Australia with a view to ensure freedom of navigation in the South China Sea irks China.

China's riding roughshod over its smaller neighbours has led these countries developing closer ties with India, which, even with all its limitations, is seen as a country that can stand up to China. It is in this



## Strong ties matter

background that this informal summit is taking place.

In spite of these hiccups, there are several areas in which India can benefit from better ties with China. China is India's biggest trading partner and runs a considerable balance of trade surplus with India at around \$50 billion. India has expressed its discomfort at this skewed trade relationship and China has expressed its willingness to address the issue.

With labour costs rising in China, a lot of low value-addition manufacturing will become internationally uncompetitive.

India can benefit from this by in-

sisting that Indian MSME clusters be made part of Chinese global supply chain.

The second leg of achieving trade balance can be higher exports of agricultural and pharmaceutical goods and IT services. India must insist that tariff and non-tariff barriers do not stultify the export of products and services in these categories. India should also insist on local production of Chinese imports to bring down the trade deficit. Such a shift in manufacturing will also complement the government's 'Make in India' initiative.

## FDI from China

India also stands to benefit if it can attract foreign direct investment (FDI) from China. According to the RBI's provisional figures for 2016-17, FDI received from China was a mere \$198 million whereas the total FDI received that year was \$36.32 billion.

According to the World Investment Report 2017, in 2016 China was the second largest source of outward FDI, at \$183 billion. China as a source of FDI is, therefore, virtually untapped. FDI from China can

be in railways and the power, fintech and infrastructure sectors, where India needs huge capital investments.

India can also work with China in the areas of energy security, water security and climate change. Indian and Chinese interests converge on the issue of energy security as both are dependent on foreign sources for fossil fuels.

China can also help in developing our renewable energy sector.

Gains to China from a good relationship with India are also considerable. As China prospers it would need outlet for its capital. India, with its vast market, can be one of the attractive opportunities. China's ambitious 'One Belt One Road' project cannot be truly successful without the participation of India.

India and China share very old cultural and civilisational ties. It is hoped that the sagacity of the leadership of these two countries at the Wuhan meet will provide the two countries with a new template to revive the old bonds.

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