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Modi poll triumph promises boost for India-China ties

NEW NATIONAL LEADER HAS ALREADY DEVELOPED STRONG TRADE AND INVESTMENT LINKS WHILE CHIEF MINISTER OF GUJARAT STATE

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in New Delhi
For China Daily Asia Weekly

The change of guard in New Delhi — with the Bharatiya Janata Party's Narendra Modi taking charge — has provided reason for China to cheer. Modi has already fashioned economic and business relations with India's neighbor years before he positioned himself as a national leader.

As head of the government of Gujarat, the westernmost province that also shares borders with Pakistan, Modi has visited China officially three times, first in November 2006 to study the special economic zones, again in September 2007 and finally in November 2011.

His five-day trip in 2011 on the invitation of the Chinese government was particularly high profile. Going beyond the established norms and protocol, he was received at the Great Hall of the People, where normally only heads of state or national governments are accorded a reception.

Responding courteously, Modi offered dignitaries in Beijing a red Chinese-language visiting card, and made his video presentation with Mandarin commentary. Returning from China, he said on Twitter: "Explored tie-ups in infrastructure, culture, telecom and technology. Thanks to China for their warm welcome."

The business triumph of the trip came when, just after Modi's visit, China's Tebian Electric Apparatus Stock Company, a maker of high-voltage transformers, agreed to invest \$400 million to set up a green energy park in Gujarat, which would create 2,000 new jobs in the state.

A memorandum of understanding was also signed between the India China Economic and Cultural Council (ICEC) and Panzhihua Guanghua Group to develop a business relationship between Sichuan province and Gujarat.

"India-China economic relations have witnessed steady deepening in the past 15 years and we feel that this trend will only accelerate with the formation of new government,"

says Sidharth Birla, president of the Federation of Indian Chambers of Commerce and Industry.

"The new government in place will undertake a series of pragmatic measures that will encourage companies from China to invest more in India," he says. "It would address the domestic market as well as boost their capacity for exports to third countries."

After Modi's visit, the China Council for Promotion of International Trade (CCPIT), the agency responsible for boosting Chinese business overseas, invited a 15-member delegation from Gujarat to visit Beijing to interact with their Chinese counterparts.

"Thanks to the business community and sensible political leaders, India-China relations have maintained a good momentum in the economic cooperation," Wang Jinzhen, vice chairman of CCPIT, tells *China Daily Asia Weekly*.

Year of friendship

Wang, who has visited India many times, says with a new Indian government both sides need to improve the in-depth bilateral cooperation that already exists.

"Cooperation, arbitration and mediation are absolutely necessary for deepening and broadening economic relations between the two sides," he points out.

China, which has been on a high growth trajectory for decades, has already put an offer on the table to fund 30 percent of India's infrastructure development, which is required to help develop India as a low-cost manufacturing base.

Following the news of Modi's election triumph, a Chinese Foreign Ministry spokesperson said: "China is willing to make joint efforts with the new Indian government, maintain a high level of exchanges, deepen exchanges and cooperation in all areas and bring the China-India strategic partnership to a new height."

Earlier, Chinese Premier Li Keqiang declared 2014 as the year of exchanges between India and China "to boost understanding and friendship". Li made the announcement

during his visit to India in May last year, shortly after assuming office, setting the tone for China-India relations going forward.

Last year, both sides made it official that 2014 will be marked the Year of Friendly Exchanges, aptly coinciding with the 60th anniversary of the Five Principles of Peaceful Coexistence, or Panchsheel, spelled out decades ago by then Chinese leader Zhou Enlai and his Indian counterpart, Jawaharlal Nehru.

"With new leadership in New Delhi, both sides have to be proactive in making the current year of friendship a grand success," says Mohammed Saqib, secretary-general of ICEC.

India and China have pledged to increase their annual bilateral trade to \$100 billion by 2015. In 2000, trade between India and China was less than \$3 billion. Bilateral trade reached a record \$74 billion in 2011, when China became India's largest trading partner.

According to figures released by the General Administration of Customs in China, from January to December 2013, India-China bilateral trade touched \$65.47 billion, a slight dip of 1.5 percent year-on-year.

However, there is growing concern in India relating to sustainability of mounting bilateral trade along with a surging trade imbalance between the countries in the medium term.

"Trade deficit is a matter of concern for India and we would like to see a more balanced trade equation. I hope the new government will take this up with much more vigor," Chandrajit Banerjee, director general of the Confederation of Indian Industry, tells *China Daily Asia Weekly*. India's trade deficit with China reached a record \$31.4 billion in 2013.

Nevertheless, Mark Schaub, a Shanghai-based partner at law firm King & Wood Mallesons, believes that Modi will further develop trade links with China for a more stable and economically prosperous Asia.

"The closer and improved economic ties will also lead to better political relationships," says Schaub.



AFF

Indian prime minister-elect Narendra Modi gestures as he is greeted by supporters with a garland at a public rally in Vadodra in Gujarat on May 16 to celebrate the Bharatiya Janata Party's victory at the polls. As the chief minister of Gujarat, Modi has already visited China in an official capacity a number of times.

In his election victory speech, Modi made it clear that "government means continuity", indicating no sharp departure from the external economic and business relationships of the previous government.

Industrial investment

In March this year, in the third round of the India-China Strategic Economic Dialogue, both sides agreed to set up a task force to enable Chinese companies to invest in industries and industrial zones in India.

Memoranda of understanding on sustainable urbanization and on cooperation in ICT (information and communication technology) were signed at the meeting. Action plans on joint studies in sustainable urbanization and energy planning were also signed for completion before the next round of the dialogue, to be held in New Delhi.

The two countries also agreed to continue deepening bilateral coordination and engagement in multilateral frameworks like the United Nations and the G-20 group of major economies.

"Both sides have successfully controlled the border crisis and tried

to find a common ground at multilateral forums," says Wang Youming, director of the Department for Developing Countries Studies at the China Institute of International Studies.

The sixth annual Defence and Security Dialogue between India and China, held in New Delhi in February this year, saw an agreement on strengthening strategic consultation and communication for the evolving regional security situation.

In the joint statement it was noted that the leaderships of both countries have recognized the maintenance of peace and tranquility on the border as an important guarantor for the development and growth of the bilateral relationship between the nations.

"There are enough grounds for optimism in building a closer relationship between China and India," says Chris Devonshire-Ellis, a managing partner at consultancy firm Dezan Shira & Associates.

"I am hopeful that the new Modi government may breathe fresh air that is needed to get India moving along as it should. A good relationship with China is key to this," he concludes.