

Open House Discussion on India – China Trade and Investment Relations

Tuesday, 27th February 2018 at PHD Chamber, New Delhi

PHD Research Bureau, PHD Chamber of Commerce and Industry in collaboration with India – China Trade Center, New Delhi organized an **Open House Discussion on India – China Trade and Investment Relations** on Tuesday, 27th February, 2018 at 4:00 pm at PHD House, New Delhi. The eminent speakers of the Open House Discussion were **Shri Rajeev Kher**, Former Commerce Secretary, Government of India; **Shri Ashok K Kantha**, Former Indian Ambassador to China; **Shri Sanjay Chadha**, Joint Secretary – Foreign Trade (North East Asia), Ministry of Commerce and Industry, Government of India; **Shri Anil Khaitan**, President, PHD Chamber; **Shri V K Mishra**, Executive Vice Chairman, India – China Trade Centre, New Delhi; **Shri Sanjay Aggarwal**, Chairman and CEO, Paramount Communications Ltd.; **Shri Saurabh Sanyal**, Secretary General, PHD Chamber; and **Dr. S P Sharma**, Chief Economist, PHD Chamber.

Glimpses of the Open House Discussion on India – China Trade and Investment Relations



From Left to Right: Dr. S P Sharma, Chief Economist, PHD Chamber; Shri V K Mishra, Executive Vice Chairman, India – China Trade Centre, New Delhi; Shri Ashok K Kantha, Former Indian Ambassador to

China; Shri Anil Khaitan, President, PHD Chamber; Shri Saurabh Sanyal, Secretary General, PHD Chamber; Shri Rajeev Kher, Former Commerce Secretary, Government of India; Shri Sanjay Chadha, Joint Secretary – Foreign Trade (North East Asia), Ministry of Commerce and Industry, Government of India; Shri Sanjay Aggarwal, Chairman and CEO, Paramount Communications Ltd.;

Highlights of the Discussion

While presenting the welcome remarks **Shri Anil Khaitan, President, PHD Chamber** stated that the background of the discussion is to frame a strategy to increase our exports to China. He presided over the open house discussion observing that trade relations between India and China should grow in an equitable and fair manner and that India should make sincere efforts to overcome its trade deficit with China. He, further, gave a comprehensive example of the Indian Pharmaceutical Industry, wherein around 80-85% of the API (Active Pharmaceutical Ingredients) or intermediates are coming from China, viz around Rs. 2,000 crores in 2016. He added that it highly influences the supply chain in India by keeping a hold on key ingredients utilized in the pharmaceutical industry. He appreciated the tremendous creativity and out-of-the-box thinking of Chinese people in machineries and electrical items among others. He also acclaimed about the tough mental and emotional stance of Chinese people.

Shri Rajeev Kher, Former Commerce Secretary, Government of India highlighted that India needs to change its mindset towards Chinese and Chinese manufacturing abilities and should not have a different mindsets for China and separately preferential outlook for West. India also needs to accept Chinese investments in larger context. It is with this approach that in the long run, India can take on Chinese. He stated that India needs to re-orient itself for different types of export markets, that will require good program of persistent investment human resources, capital and political management. In case of having a greater market access opportunities in China, it is not the negotiations at the Secretary level but at the top leadership level that make the difference. He explained the nitty-grities of various Free Trade Agreements that India has signed and under negotiation including ASEAN, RCEP among others. He suggested that we can straighten our relationship with China by rejuvenating Asia – Pacific Trade Agreement (APTA). Therefore, persistence, hardwork and strategic thinking are the way forward for breaching the barriers put by China. Going ahead, he stated that for higher technology space China needs India because that is India's strength and there is where India has ambitious programme on Science and Technology, Skill Development, Education and Research and Development.

In his remarks on India - China Bilateral Relations, **Shri Ashok K Kantha, Former Indian Ambassador to China** said that the meager share of India in China's total imports needs to be addressed at the earliest. There are attractive opportunities for India in China, however, the bilateral economic commercial engagement of India with China is not very encouraging. He said that the India's trade imbalance with China is a matter of concern, and going by the numbers the trade imbalance is further going to increase this year. He highlighted that India's trade with China has actually stagnated, which is hovering around USD 70 billion for the last six years. He

said that India is in a situation of stagnant economic engagement with China in terms of trade in goods. Although the Ministry in collaboration with Industry and Mission tried to make a dent in the Chinese market in certain goods and services where India holds competitive advantage such as pharmaceutical products, agro-products, bovine meats, IT services, no serious headway has been made. He also highlighted the growing rate of penetration of Indian movies in the Chinese market. He asserted that India must have products that are competitive where we have exportable surplus to access Chinese market.

While addressing the gathering **Shri Sanjay Chadha, Joint Secretary, Foreign Trade (North East Asia), Ministry of Commerce and Industry, Government of India** advocated the need of integrated approach towards China to have market access for its industry rather than insisting on tariff and non-tariff barriers for Chinese imports against India. He stressed that Indian industry needs to enhance its manufacturing edge in a bid to find a market place in China with insertions of creative elements in the process of value engineering rather than asking for anti-dumping measures towards rising Chinese imports. He said that tweaking of prevailing trade barriers against China here and there could be a minor solution to restricting Chinese imports towards India as it would amount to a short term approach. He advocated that India should have a greater market access in China for its products for enhancement and acceleration in its manufacturing abilities with government and industry partnership. China does subsidize its industry but so does India and suggested that the focused and integrated approach would pave the way for Indian industry towards capturing a reasonable market size for Indian products in China.

Shri V K Mishra, Executive Vice Chairman, India – China Trade Centre shared his views that the word “China” has the same level of sensitivity in India as it was having in 1997. He said that, previously, we never made an attempt to export conventional finished products to China, which was a mistake. He added that everywhere creativity is added to any product and creativity, art and expertise in terms of providing an overall product is country per se. He highlighted that, since 2001, India’s demand has increased and the industrial capabilities to fulfill didn’t increase at the same pace, which led to increase of imports from China. The edge of margin with China was around 10-15% in most of the products, indicating a smart act from China. He added that, in the past 4 – 5 years, the gamut of trade dynamics with China have changed in terms of components or at HS 08 digit level. He presented that India’s Make in India is dependent on China’s components imports, wherein 80-85% of the components of electronic or white goods comes from China. He said that a collaborative approach needs to be undertaken wherein initially 4-5 areas should be identified and detailed analysis will be conducted on the same, going forward.

Shri Sanjay Aggarwal, Chairman and CEO, Paramount Communications Ltd. presented his views from the perspective of Industries. He stated that as both the countries have matured during 2011-16, India’s exports to China shrunk from USD 17 billion to USD 9 billion whereas India’s imports from China grew from USD 55 billion to USD 61 billion during the same period. He highlighted that the major reason for cheaper Chinese products is well thought out government policy and within

themselves they have a very strong set of systems, for instance in Generic Drugs. China holds 85% share of India's bulk drugs imports and interestingly, India is the biggest exporter of Generic drugs in the world. He asserted that to improve India's exports to China, India should remove unnecessary regulations on Industries, allowing large industries to come up and buy large chunk of land and employ large number of people from single site, by improving logistics infrastructure, to strengthen Indian industries to enhance the competitiveness. Further, focusing on accentuating the Ease of Doing Business Environment in India will propel the exports to China in the coming times. He added that merely imposing anti-dumping duties on Chinese products won't help but imposing stringent and strategic non-tariff measures may solve the problem, going ahead.

Concluding Remarks and Vote of Thanks were proposed by **Shri Saurabh Sanyal, Secretary General, PHD Chamber**. In his speech, he highlighted that we cannot be friends or foes with China but live with China. He stated that India, US and China are going to be World's largest economies, 30 years down the line. He asserted that we must be in-sync with the good policies which the Government of India trying to implant for the Ease of Doing Business. He appreciated the recommendations proposed by the panelists at the dais at the Open House Discussion.

Dr. SP Sharma, Chief Economist, PHD Chamber moderated the Open House Discussion and stated that India's trade with China has grown significantly over the past decade. He said that the volume of trade grew from USD 23 billion to USD 70 billion in the past decade, indicating a threefold jump. The imports from China are growing significantly year after year but our exports to China have remained insignificant. He added that India's exports to China stood at around USD 8-9 billion in USD 1600 billion total imports by China. However, China has a remarkable presence in India's imports at around USD 61 billion, accounting for a share of 17% of India's total imports. He further highlighted that India's trade deficit with -China is growing month after month, from USD 34 billion in April – Nov 2016-17 to USD 42 billion in April – Nov 2017-18. He said that the increased growth trajectory would increase demand in a significant way and how the increased demand will be fulfilled by us is a matter of concern – either by imports from China or by greater domestic production.

Glimpses of the discussions on India – China Trade and Investment Relations



Shri Anil Khaitan, President, PHD Chamber presenting his welcome remarks on expanding business and trade relations between India and China.



Shri Rajeev Kher, Former Commerce Secretary, Government of India highlighting the key characteristics of India – China trade direction and way forward during his remarks.



Shri Ashok K Kantha, Former Indian Ambassador to China aired his sentiments and endorsed the relevance of India – China relations.



Shri Sanjay Chadha, Joint Secretary – Foreign Trade (North East Asia), Ministry of Commerce and Industry presenting his views on growing trade between India and China.



Shri Sanjay Aggarwal, Chairman and CEO,



Shri V K Mishra, Executive Vice Chairman, India –

Paramount Communications Ltd. presenting his views on role of Chinese products in Indian industries.

China Trade Centre, New Delhi presenting his remarks on the presence of Chinese products in India's market.



Shri Anil Khaitan, President, PHD Chamber welcomed Shri Ashok K Kantha, Former Indian Ambassador to China by presenting a plant.

Shri Anil Khaitan, President, PHD Chamber welcomed Shri Sanjay Chadha, Joint Secretary – Foreign Trade (North East Asia), Ministry of Commerce and Industry by presenting a plant.



Query being put forward from the audience in front of the panelists.



Audience at the Open House Discussion on India - China Trade and Investment relations at PHD Chamber, New Delhi.



Shri Anil Khaitan, President, PHD Chamber presenting a memento to Shri Rajeev Kher, Former Commerce Secretary, Government of India.

Shri Sanjay Aggarwal, Chairman and CEO, Paramount Communications Ltd. presenting a memento to Shri Ashok K Kantha, Former Indian Ambassador to China.



Dr. S P Sharma, Chief Economist, PHD Chamber discussing about the vital statistics of India – China trade in the past decade.

Shri Saurabh Sanyal, Secretary General, PHD Chamber presenting the concluding remarks and vote of thanks.

The report on 'India – China Relations: The Trade Giants of Past, Present and Future' is attached.

Please contact for any query related to this mail to Shri Rohit Singh, Research Associate at rohit.singh@phdcci.in with a cc to Dr. S P Sharma, Chief Economist at spsharma@phdcci.in and Ms. Surbhi Sharma, Senior Research Officer at surbhi@phdcci.in PHD Chamber of Commerce & Industry.

Warm regards,

**Dr. S P Sharma
Chief Economist**

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