

## India-China trade to touch \$ 15 billion Up By Leaps & Bounds



**Bilateral trade between India and China is progressing by leaps and bounds and is expected to touch the \$15 billion mark in 2005-06 from \$12 billion in the previous year. Business leaders believe that if the current tempo is maintained, the two-way trade is expected to attain the planned target of \$30 billion by 2009.**

The relative share of the two countries in each other's global trade, however, continues to remain small, with China accounting for about 4.5 per cent of India's total world trade, and India accounting for just 1 per cent of China's. This again indicates the enormous scope that remains untapped.

A study conducted by the Federation of Indian Chambers of Commerce and Industry (FICCI) says that it would be beneficial for India to focus on exporting products such as chemicals, drugs and pharmaceuticals, plastics, electrical equipment and machinery, and agricultural products to China. And for China, products such as audio/video equipment, electrical machinery, optical and medical instruments and transportation equipment should find a good market in India.

In a bid to exploit the complementary strengths of the India-China economies for mutual benefits, the captains of the Indian industry have been exploring the possibilities of developing intra-industry trade.

"There is a possibility of developing intra-industry trade, i.e. building on different aspects of value chain on similar products," said Dr Amit Mitra, Secretary-General, Federation of Indian Chambers of Commerce and Industry (FICCI), on arrival in Beijing as part of a business delegation that visited China recently.

Dr. Mitra said that the India-China bilateral trade had the potential for further enhancement of trade in view of the complementarities based on comparative and competitive advantages.

The FICCI delegation, comprising CEOs from FICCI was looking for four clear goals bilateral trading opportunities, trilateral opportunities, broadening the scope of the business, and looking at China's private sector as well as the public sector.

### Opportunities

Atul Dalakoti, FICCI Executive Director, said that biotechnology, IT and ITES, healthcare, education, tourism, financial sector, and energy cooperation were the areas that offered opportunities to Indian companies.

China has a highly developed biotechnology sector, with costs of operation well below those of industrialised economies. On the other hand, India's biotechnology sector is more diversified and niche-focused.

"India and China share a lot of complementarities in this sector, and opportunities exist for cooperation and trade in biotechnology," Dalakoti said.

As regards IT and ITES, Dalakoti said that India's huge pool of educated labour combined with good knowledge of English had given the country a comparative advantage in the ITES sector. China has a strong presence in IT and is all set to enter the IT-enabled services market.

### Infotech & financial sectors

"There is a scope for the two countries to find opportunities and carve a niche in this sector. Special attention needs to be given on penetrating the emerging IT and IT-enabled services market in Japan and South Korea through Indo-Chinese joint ventures," he said.

Speaking about opportunities in the financial sector he said that India had a dynamic financial services sector and the Chinese financial services sector was less mature and organised than India. As the Chinese Government undertook structural reforms, the financial sector in China would develop rapidly.

"Indian operators are in a good position to enter this market," Dr Mitra said. Indian companies are used to operating in a low-income economy, they are proficient in English and can provide financial connections, Dr Mitra said, adding they were institutionally capable of meeting all international laws and guidelines that govern the sector. Besides, the Indian financial sector could also play a proactive role in developing rural small-scale retail banking in China.

Both India and China are energy-deficient countries and as per estimates both oil and natural gas combined requirements of the two countries by 2020 will exceed that of EU and Japan put together.

Energy security will be a major issue and given the current scenario it makes sense for the two countries to evolve a joint strategy for ensuring future energy requirements. India and China should evolve a joint strategy to access oil and natural gas in Central Asia, Iran, Bangladesh and South-East Asia, Dr Mitra said. According to FICCI, the most important aspect would be to evolve joint ventures on transportation including laying pipelines. ■