ICS - KAS Conversation

Future of India - China Economic Relations: Towards De-coupling, Reduced Dependency or a New Equilibrium?

Report

Webinar Organised by

Institute of Chinese Studies

&

Konrad-Adenauer-Stiftung

Media Partner:

Background

As the relationship between India and China spirals towards a new low in 2020 post-Galwan, we take stock of what exactly this could mean for the future of economic engagement between the two countries. India has so far resorted to three major asymmetric measures with significant impact on economic links with China. First, a new FDI approval requirement was imposed on 17 April on investments with beneficial ownership in countries which share a land border with India. Then, fifty-nine internet applications launched by Chinese developers were banned on 29 June on the grounds of national security in a bellwether move. The latest measure is the introduction, on 23 July, of a prior registration requirement including security and political clearances for bidders from countries sharing a land border with India which seek to participate in tenders for procurement of goods, services or works. While China has strongly protested these measures, it is yet to take any significant retaliatory action and India is expected to unveil more such measures.

India's trade dependency on China in several sectors has come under sharp focus with calls for self-reliance from India's government. Policy initiatives have been taken to promote domestic manufacturing in specific sectors, such as electronics, Active Pharmaceutical Ingredients, and textiles. It is no longer business-as-usual of pursuing enhanced trade and economic linkages with China, insulating them from the boundary question and other outstanding issues. Are we heading towards a measure of economic decoupling with China? Is such decoupling feasible or desirable? Is India seeking reduced economic dependency vis-a-vis China, a trend visible in other countries as well in the COVID era? Will India-China economic relations settle down at a new equilibrium? What will be the impact of these changes on the Indian economy, which has been seriously affected by the pandemic? Will China retaliate, and if so, in what form? These and other related issues were discussed in the ICS-KAS Conversation.

Programme Overview

To explore the future of economic engagement between India and China in the wake of the COVID era, the Institute of Chinese Studies (ICS) in partnership with the India Office of Konrad-Adenauer-Stiftung (KAS) organized the ICS-KAS Conversation on '***Future of India-China Economic Relations: Towards Decoupling, Reduced Dependency, or a New Equilibrium?'*** on Wednesday, 12 August 2020 at 3:00 P.M IST on Zoom along with ICS media partner, ThePrint.

The Conversation witnessed the presence of distinguished panellists from Aditya Birla Group, Confederation of Indian Industry (CII) Core Group on China, who provided excellent insights on the future of India-China relations and the possible changes that can be seen.

The panel comprised of the following Panellists:

- **Dr. Ajit Ranade**,Group Executive President and Chief Economist, Aditya Birla Group.
- **Ravi Bhoothalingam**, Founder, Manas Advisory; Treasurer and Honorary Fellow, Institute of Chinese Studies, Delhi.
- **Santosh Pai**, Partner, Link Legal; Honorary Fellow, Institute of Chinese Studies, New Delhi.

The Conversation was moderated by **Amb. Ashok Kantha**, Director, Institute of Chinese Studies, New Delhi.

Glimpses

Key Takeaways

- India-China economic relations are presently in flux. The basic paradigm, under which India sought to expand trade and economic linkages with China, insulating them from the boundary question and other outstanding issues, appears to have broken down. As the relationship between India and China has deteriorated sharply post-Galwan, the future of economic engagement between the two countries is currently uncertain.
- There are several other factors at work. The outbreak of the Covid-19 pandemic has exposed the vulnerabilities of the global value chains and the risk of excessive dependency on one country, China in particular. The escalating US-China strategic competition and unfolding economic decoupling between the two largest economies of the world have impacted the broader geopolitical landscape. There are growing concerns internationally about China's aggressive behaviour on issues ranging from the pandemic (with its origin in China) to Hong Kong, Taiwan and South & East China Sea, in pursuit of its aspirations of China-dominated world order. Despite these concerns, there are attractions of the Chinese market, especially at a time when China's economy is the only large economy growing in the COVID era amidst a major global recession. Outside the USA, the call for economic decoupling with China has not gained much traction, even though there is recognition of the need for reduced trade dependency vis-a-vis China.
- Many countries are trying to counter China's muscular actions by transforming negative public sentiment into stricter economic policies. Global supply chains and China's position as the second-largest economy in the world are making this a complicated process. Even at the lowest point of the US-China trade war, bilateral trade has exceeded USD 600 billion.
- There is a major asymmetry in India-China trade, with China accounting for 30% of India's trade deficit, which has not been sufficiently offset by FDI inflows from China. Also, there is a worrisome import dependency to the extent of 45% in electronics, 32% in capital goods, 38% in organic chemicals, and 57% in furniture, 68% in active

pharmaceutical ingredients, 80% in compressors for ACs and 95% in motors for washing machines. Prime Minister Narendra Modi has launched the *Atmanirbhar Bharat* (Self-reliant India) mission, which, *among other things*, addresses the issue of excessive trade dependency on China.

- The Government of India has taken three major measures to exert pressure on China – a) imposed an approval requirement for investments from neighbouring countries; b) banned 59 internet applications from China; c) made registration including security and political clearances mandatory for participants from neighbouring countries in public procurement tenders. India is expected to unveil more such measures, including possibly excluding Huawei from the 5G network. India's trade dependency on China in several sectors has come under sharp focus with calls for self-reliance. There is talk of a boycott of Chinese products.
- Looking ahead, various scenarios are being explored in India. One possibility is radical economic decoupling with China but is that feasible or desirable? Alternatively, are we looking at something more focussed and targeted like reduced economic dependency vis-a-vis China? Or will India-China economic relations settle down at a new and dynamic equilibrium? While a radical economic decoupling with China is perhaps not anticipated, there is a growing acceptance of the logic for reduced dependency vis-à-vis China, pursuing a pathway which is focussed, selective, sector-specific and ushered in a phased manner, building up domestic capacities and competitiveness.
- Economic analysis reveals that, as the 2nd largest economy, the largest trading and manufacturing nation in the world, a leading trade partner and a major emerging source of investment, China is closely intertwined with the Indian economy; their connections cannot be snapped as a kneejerk reaction without incurring severe economic costs.
- Since only 3% of China's exports are to India, the current leverage on China is relatively limited. Similarly, Chinese investments in India are only of the order of about USD10-15 billion. However, the potential in India is very attractive for China in terms of both investment/risk ratio and market, so that constitutes positive potential leverage. Thus, Chinese apps such as TikTok have a large market in India which may now be in

jeopardy. Chinese entities have acquired a significant presence in the digital, technology and start-up space in India.

- While it might be challenging to opt for a hard decoupling from China, these leverages can be used in a strategic and planned manner. A calibrated approach that blends both positive and negative incentives can be pursued with China while balancing various considerations – risk, dependency, employment and growth in an economy which is already severely affected by the pandemic. Radical economic disengagement will also translate into significantly reduced leverage.
- The India-China economic relationship can be divided into four baskets: a) technology (which includes digital, internet and telecommunication); b) bilateral trade; c) investment; and d) infrastructure.
- The technology basket may move in the direction of gradual decoupling unless India implements a stringent regulatory framework to guard against data and national security risks; India's ban on internet applications is seen as a global bellwether move, with the USA following up with actions against WeChat and TikTok.
- The trade basket may witness a gradual sector-wise reduction in dependency through a combination of the search for alternative sources and domestic manufacturing. Policy initiatives have already been taken to promote domestic manufacturing in specific sectors, such aselectronics, Active Pharmaceutical Ingredients, and textiles. The government can support Indian industry through production-linked incentives, preferential treatment to domestic players in public procurement, aggressive anti-dumping measures and non-tariff barriers such as quality standards. To mitigate against retaliation from China, India should stay within the parameters of the WTO and other multilateral and bilateral agreements.India's engagement with the world in trade and investment should be open, and we should be a member of inward and outward global value chains. Global investors will not find India attractive if there are all manner of limitations on their linkages into these chains.
- Investment flow from China into traditional manufacturing industries may arrive at a new equilibrium based on desirable domestic linkages and financial investors such as VC

funds will employ innovative investment structures to comply with India's regulatory preferences. High risk/strategic areas may be put on a negative list. In other areas, Chinese investments may continue, as required for the continued economic growth. There is the need for a(Committee on Foreign Investment in the United States) CFIUS-like national security regulatory regime to vet investment inflows.

- It is vital to ensure foreign investor confidence, so India's rules should not seem capricious. It should be WTO-compliant. Rules and go/no-go areas should be clear to all. Security risk, export development and employment generation can be given emphasis. All those who choose to invest in India under these conditions should be given national treatment. India is attempting to attract foreign investment by easing the way to do business. This must be carried on, and a tempting return to the days of protectionism and bureaucratic controls should be avoided. India should also maintain openness towards international trade and investment linkages to avoid risks of economic isolation.
- Participation of Chinese companies in infrastructure or public procurement sector may evolve on a case-to-case basis with projects funded by multilateral institutions such as AIIB and NDB receiving more priority. Overall, a reduction in the presence and operations of Chinese entities is anticipated.
- The policy of compartmentalizing the boundary question and other outstanding issues and not letting them come in the way of development of India-China relations, including in trade and economic fields, seems to have run its course now and it may not be business as usual, any longer. The realistic way forward in the long term for India might be one of calibrated economic engagement with China while adopting a firm stance towards national security and incremental reduction in dependency that can generate leverage for the broader dynamics of India-China relations.

Opening Remarks

Amb. Ashok Kantha extended awarm welcome to everyone and introduced the distinguished panellists: Dr. Ajit Ranade, Ravi Bhoothalingam and Santosh Pai.

At the outset, Amb Kantha noted thatIndia-China economic relations are presently going through a basic paradigm shift under which we sought to expand trade and economic linkages, expecting the two countries insulating from the boundary question and other outstanding issues appear to have broken down. As the relationship between India and China has deteriorated sharply, especially post- Galwan Valley escalation, the future of economic engagement between the two countries is currently uncertain. There are several other factors as well such as the outbreak of Covid-19 pandemic which has exposed the vulnerability of global value chains and the risk of excessive dependency on one country, China, in particular; escalating US-China strategic competition and the unfolding economic decoupling between the two largest economies of the world has impacted the broader landscape.Government of India has also taken three specific actions in recent weeks which have a major impact on economic relations between India and China:

i. A new FDI approval requirement was imposed on 17 April through Press Note 3 on investments with beneficial ownership in countries which share a land border with India.

ii. 59 Internet applications launched by Chinese developers were banned on 29 June on the grounds of national security, a bellwether move as the US also initiates actions against WeChat and TikTok.

iii. Introduction of prior registration requirement on 23 July, including security and political clearances for bidders from countries sharing a landline border with India, which seek to participate in tenders for procurement of goods, services and works.

Amb. Kantha indicated that there could be more such measures in the pipeline, including the exclusion of Huawei from the 5G network. He also highlighted that India's trade dependency on China in several sectors has come under sharp focus with calls for self-reliance and that there were talks of boycotting Chinese products. In this context, he pointed out BCCI's recent suspension of arrangements with Vivo for the sponsorship of IPL 2020.

Raising pertinent questions on the issue, Amb. Kantha set the ball rolling by positing various possibilities: a) radical decoupling with the second-largest economy in the world b) reduced economic dependency on China or c) a new equilibrium in India-China economic relations.He concluded by underscoring the significance of these changes for the Indian economy, given the fears of Chinese retaliation, especially when the Covid-19 pandemic has adversely impacted the economy.

Special Remarks

Mr. Peter Rimmele welcomed the distinguished guests and participants and remarked on China's image in the current global situation. He began by stating that 2020 seems to be the Chinese year but for all the reasons. He drew attention to the fact that the world is suffering from a virus that originated in China, China's behaviour in Hong Kong is dominating the news, US-Chinese trade war is far from over, and that there is an aggressive push by China for control in the Himalayas to exert its military capacities and strengthen its rule in Asia. All these instances have led to a widespread backlash against the rise of China in the world. In response to this, India had started to hamper China's influence through a more 'silent economic approach'. The public reaction could be translated into economic policies to undo some of the damage China has already done and to prevent growing economic dependence on China.

Mr. Rimmele observed that for the better part of its existence, the People's Republic of China (PRC) has had to contend with rather a shadowy existence. He noted that the political turmoils within China since the 19thcentury and its turbulent history led to a notion within the Party machinery that China still had to bide its time. Nevertheless,with Xi Jinping's accession to power as paramount leader, Chinese nationalism and calls for a Chinese-dominated world order became the overt policy of the Chinese regime. In the past decades, Chinese soft power has intelligently diversified, and increasingly flanked by cold hard power politics. The year 2020 can be seen as the culmination point of this process. Finally, Chinese influence is deemed strong enough that China believes it can get away with outrageous displays of brute forcewithout elicitingan appropriate response from the West.

Earlier, it was believed that the introduction of Beijing to the global market wouldchange China. On the contrary, Mr. Rimmele asserts, 'theworld did not change China, but China is changing the world'.Providing examples from Germany, he highlighted the case of car manufacturer Volkswagen (VW) 'scollaboration with China's SAIC Motor Corporation and the setting up of severalproduction facilities in China, including a plant in Xinjiang, home to the Uighurs. When asked by a BBC reporter about re-education camps in Xinjiang, former Volkswagen CEO stated that "these concerns were new to him" and declined to comment further. While observing that this marks an "embarrassing low point", Mr. Rimmele iterated that many German enterprises have similarly put monetary interests before ethical considerations, and turned a blind eye to China's aggressive economic behaviour.He further explains, "China gets away with large-scale espionage while blaming Western enterprises for their lax security measures. Despite all sobering indications to the contrary, Western corporations still want to believe China's promises of impending market liberalization and the enormous wealth it would bring them".

From the perspective of the CPC, fostering economic relations with other countries is a tool of political control, despite all protestations that it is meant to foster cultural relations and generate wealth. China has correctly gauged the importance of the German automobile industry to German politics. Having a sizeable VW production facility in China, has made the company, and in turn, Germany, susceptible to economic threats. By drawing a distinction here, Mr. Rimmele observes, "unlike in China where everything is subject to the Party and its ideology, in the West, the economic and the political spheres are separate entities. While one can influence the other, neither dominates. This makes it very difficult to answer the Chinese threat with an effective decoupling." In Germany's political world, the Chinese threat is more tangibly felt. The widespread backlash against China that has swept the world has not stopped in Germany, and as the general public, so did the politicians become very skeptical about China and its endeavours, as did Europe in general. China's attempts to divide the continent during the Coronavirus crisis did not help alleviate these concerns.

In conclusion, Mr. Rimmele asserted that China's economy is China's politics. Chinese enterprises, he noted, are coxed by the Chinese political machine and have a specific political mission. It might not be the task of governments to restrict trade and economic relations but safeguarding national sovereignty against the malevolent forces is. He underscored the need for enterprises to be aware of these distinctions as a prerequisite of economic decoupling while simultaneously acknowledging that the process of economic decoupling is expensive and current budget constraints due to Covid-19 may have limited the leverage.

Panellist

Dr. Ajit Ranade pointed out that in the last 20 years, India-China tradewas the most dynamically growing trade in bilateral terms. In 2000-2001, India was destination number 19 in Chinese exports, and the bilateral trade deficit was barely USD 1 billion. Fifteen years later, India was destination number 6 and fast-moving to number 5 for Chinese exports highlighting the importance of India's consumer market for Chinese exports. Bilateral trade between the two countries grew dramatically and was close USD 100 billion in 2017-18, although it grew asymmetrically. Bilateral trade deficit became a significantcause of concern as China's exports to India grew at a galloping pace as compared to the growth in Indianexports to China. However, throughout its 50-60 years post-Independence, India has beentheunique Asian country, unlike theEast Asian countries and Southeast Asian Tigers, with the continued trade deficit and yet with a surplus capital account. This net amount or the shortage of dollars due to the excess of imports over exports is compensated by the dollar amount that comes from outside into India, a reflection of the confidence that foreign investors repose on India. This, Dr. Ranade remarked, was the hope with China as well.

Highlighting the problem of import dependency, Dr. Ranadenoted that today, 45% of India's imports in the electronics sector, 32% in capital goods including turbines and power sector, 38% of organic chemicals, 57% in furniture, 80% of compressors for ACs, 95% motors for washing machines and most importantly, 68% active pharmaceuticals ingredients (APIs) come from China, indicating wide-ranging dependency. However, Indian consumers have benefitted from relatively lower prices and relatively higher quality of imports from China. Nonetheless, the developments in the past few years in terms of geopolitical issues not only between India and China but also between China and other countries such as the US, calls for the need to recalibrate and reduce import dependency. He further observed that decoupling is a gradual process, and the need of the hour for India is to focus on sector-wise change and balance the interests of intermediate producers using Chinese intermediate imports for exports. The initial focus should be on sectors with the end consumer goods and those with substantial domestic capacities in India, such as metals or textiles. Underscoring the need to adopt a nuanced approach, Dr. Ranade called for gradually delinking and argued thatcomplete decoupling, in the long run, is not a feasible alternative, given the size of China's economy, which is the second-largest in the world with approx. USD 7 trillion consumer market.

While emphasizing on the need to have policies compliant with WTO and other multilateral or bilateral treaty commitments, Dr. Ranade gave the following recommendations from a domestic policy perspective:

a)Production-linked incentives with a sectoral focus is one alternativecentering on the aspiration of growth and *Atmanirbhar Bharat*(Self-reliant India).

b) Influencinggovernment procurementsto include clauses to give preferential treatment to domestic producers and suppliers.

c) Strong and fast-tracking trade remedy measures such asaggressive anti-dumping measures, anti-subsidy or countervailing duties and safeguard duties.

d) Non-tariff measures such as quality certification, compliance with ISI standards etc.

Panellist

Mr. Ravi Bhoothalingam started the discussion by observing that since only 3% of China's exports are to India, the current leverage on China is relatively limited. Similarly, Chinese investments in India are only of the order of about USD 10-15 billion. However, the potential in India is very attractive for China in terms of both investment/risk ratio and market, thereby constituting a positive potential leverage. Thus, Chinese apps such as TikTok have a large market in India which may now be in jeopardy as Chinese entities have acquired a significant presence in the digital, technology and start-up space in India.

Mr. Bhoothalingam vouched for a very strategic and narrow path, which encapsulates 1) decoupling, but not entire decoupling; b) reduced dependency, but selective; and3) new equilibrium or a dynamic equilibrium. In a context where India is facing obstacles to development in the form of Covid-19, economic downturn and challenges from China pose obstacles to development of India, he proposed having "economic growth with leverage on China". Noting dependencies and interconnections between India and China, he observed that China will play a bigger role in terms of manufacturing and investment and therefore, cannot be entirely ignored.According to the World Investment Report, FDImight witness a 45% fall in FDI in most emerging countries in 2020 as most countries look inwards and are focused on rebuilding themselves. Therefore, India should not 'decouple' from China but instead use positive and negative leverages in a strategic and planned manner. High risk/security areas should be put on a negative list. In other areas, Chinese investment and trade should continue.According to Mr. Bhoothalingam, it is important to ensure foreign investor confidence and therefore, India's rules should not seem capricious or country-specific. Instead, it should be WTO-compliant and rules and go/no-go areas should be clearly stated. Security risk, export development and employment generation can be given emphasis and all those who choose to invest in India under these conditions should be given national treatment.

Mr. Bhoothalingam further explains that while following a sectoral focus, a calibrated approach that blends both positive and negative incentives can be pursued with China while balancing various considerations such as risk, dependency, employment and growth in an economy which is already badly affected by the pandemic. However, leverage will improve and madeeffective only if India is more open to the international economic arena. He maintains, "*Atmanirbhar* (self-reliant), in myview,is when India is able to import whatever it wants because it is competitive enough to export."India needs to be open to international trade chains, global supply chains in order to become an international hub of manufacturing and services- the objective of 'Make in India'.

Highlighting the reliance of international investors on China and other countries for manufacturing components, Mr. Bhoothalingam called for international trade and investment policies that are harmonious and consistent with our foreign policy. India, according to him, should be more connected with international trade and supply chains, and deploy positive and negative leverages in markets, investment and technology against China. Lastly, regarding US-China trade and strategic rivalry and opportunities for India, Mr. Bhoothalingam suggested that India's position needs to be strategically balanced. For example, Chinese technologies can be profitably used in some areas that do not endanger India's core interests and security.

Panellist

Mr. Santosh Pai started the discussion by suggesting a different framework in which rather than doing sector-wise categorization, he noted that the entire India-China economic engagement can be better categorized into: 1. technology, telecommunication and internetbasket 2. trade 3. investment pillar which has linkages to trade and internet pillars. He suggested that the technology basket may move in the direction of gradual decoupling unless India implements a stringent regulatory framework to guard against data and national security risks; India's ban on internet applications is seen as a global bellwether move, with the USA too following up with actions against WeChat and TikTok. The trade basket may witness a gradual sector-wise reduction in dependency through a combination of the search for alternative sources and domestic manufacturing.As Dr. Ranade pointed, we have to prioritize and prepare the domestic industries and move towards reduced dependency. Investment flow from China into traditional manufacturing industries may arrive at a new equilibrium based on desirable domestic linkages and financial investors such as VC (venture capital) funds will employ innovative investment structures to comply with India's regulatory preferences. There is the need for a CFIUS(Committee on Foreign Investment in the United States)-like national security regulatory regime to vet investment inflows.

Regarding response of Chinese stakeholders to steps taken by Government of India, Mr. Pai noted that the sentiment has been adversely affected across sectors. Their current strategy is where long-term players, especially industries like manufacturing are adopting the wait and watch approach. However, smaller players exploring arbitrage opportunities in India have retreated owing to a lack of substantial presence in the country. Participation of Chinese companies in infrastructure or public procurement sector may evolve on a case-to-case basis with projects funded by multilateral institutions such as AIIB and NDB receiving more priority. Overall, a reduction in the presence and operations of Chinese entities is anticipated. VC funds will wait for clarity to emerge and they will create new funds that will comply with India's regulatory preference. According to Mr. Pai, similar to what China did for 20 years, it is possible to attract capital without giving away control or management rights as it is one of the aspects that will be attractive toVC funds as they are not keen on taking control.

Interventions

Q.Are there any studies being done to learn from experience how China could be declared a market economy? Why is there no standing model for our trade - how much goes to the end user consumer or to the intermediate users, what are the alternative buyers to each?

A. That is not a fair question, that is because not only India, but the whole world is struggling with that question. The Chinese expressed their interest to join the WTO at the launching of the Uruguay round, so very patiently, they took the longest, 15 years before they were admitted, and even then, there were a lot of conditions that were imposed on them. They were not going to be given a market economy status, and even today, when we initiate anti-dumping status against Chinese companies or against China, the reference price that is taken against cost of production is not the data from China, it is taken from a third country, which is quite disadvantageous to the case for the producer because in a third country like Singapore, the cost is going to be higher, so it is not fair to say that why did not anybody see it. The Chinese played a very patient game.

China seems to be taking on frictional and adversarial positions across the board in many fronts, not just the trade front. And this was not the casethree-four years ago. In fact, when President Xi took on office in 2013, he clearly laid out five principles of India-China engagement. It was a very good statement. He said, "this will be the foundation of India-China relations" and that had people-to-people contact, culture, trade and commerce and explicitly recognized that we have bilateral issues that we will deal with. Six-seven years later in President Xi's second term, everybody is taking a relook. We are dealing with a somewhat different situation.

Q. **Should we not bother only about the raw materials instead of the final products from China?**

A. If we are going to import intermediate goods which are in turn going to be re-exported out of India, we need to be a little careful about calibrating and decoupling on those sectors. But if there are products coming to India for end use, perhaps they should be of higher priority. I must also mention that when we say that we want to reduce imports from China, it is not going to be as if automatically the next day we are going to be producing them in India. We may want to source them from Taiwan or some other countries. So, diversifying away from China is going to be easier because it does not mean that we have to have a readymade producer in India. But that should be the strategy.

Q. **If we continue in this fashion and continue to have Galwans and we save five to seven billion dollars every year by having economic trade, will the Galwan cost less? Is it in the economic interest of India, long-term looking at the security overhang and territorial ambitions of China, to continue with economic engagement and pay the other way?**

A. Border issues can only be solved through negotiations.Everybody agrees that war is not the answer. The negotiations from our side are better placed if the differential between India and China in what is known as 'comprehensive national power' (a Chinese phrase) is reduced; we then have a better bargaining position. If comprehensive national power gap between the two countries is reduced, then we have a better bargaining position. But how is that going to be reduced, fundamentally a lot of that depends on the economy because it is the economic power that is also going to drive the military power, cultural power, technological power and other things. Therefore, it again boils down to the economy. The question is, can you drive the economy fast enough if you do not give at least some space to China in areas that are not critical. So, in fact, the long term is actually multiple short terms which we have to play.

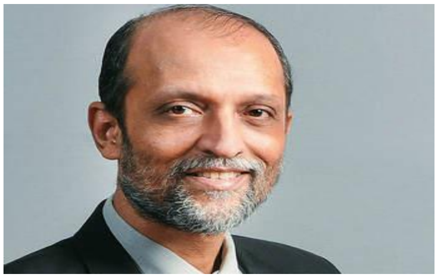
Q. How do we engage with China in the infrastructure space?

A. For infrastructure, the way forward will be that a lot of Chinese companies will be looking to participate through projects which are funded by AIIB and NDB, because China is a part of both these institutions and because they will perceive these funding to be more secure. One of the reasons Chinese companies are always competing in public procurement of projects, because if it is a government project, if the buyer is a PSU or a government ministry, the cost of financing becomes very low. Beyond these multilateral funded projects, any other projects will be difficult going forward and so they might get into consortium type of situations like how we have seen for metro projects - a lot of companies have formed consortiums. They might just be pure suppliers. Incidentally, it has been noticed that the Chinese companies were saying that the public procurements processes are actually quite taxing in India, so it will be better if Indian companies submit the bids in these processes and we are mere suppliers or subcontractors to the Indian companies. So, any of these scenarios might emerge in the infrastructure space.

Q.Why don't we define and include force majeureas part of the contract of any item in which the Chinese are involved, whether private or government?This will mean that Chinese businesses can create some sort of pressure on the Chinese government.

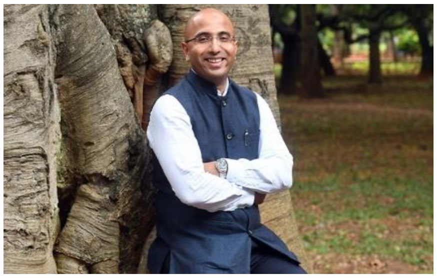
A. Force majeure is a very well-accepted concept globally. There is no contract without force majeure. But to link force majeure to political decisions taken by a government is a big step. Those kinds of measures will impact financing, as India is a politically risky country for Chinese to do business in. So, if we link force majeure to political actions of Chinese government, which India would likely want to do, then it will become difficult to finance such projects. So, it is almost liketrying to say that those projects are no longer feasible.

Speaker Profiles



Dr. Ajit Ranade is the Group Executive President and Chief Economist at Aditya Birla Group, a multinational conglomerate with businesses ranging from manufacturing to services. Ranade is a member of national committees of apex industry associations. He has served on key committees of the Reserve Bank of India. He currently serves on the boards of some companies as well as research and academic institutions. He writes regularly in the press on current economic and social topics. He is an engineer and MBA by training and has a PhD in economics from Brown University, USA. He received the Distinguished Alumnus award from IIT Bombay in 2009.

Ravi Bhoothalingam is currently Founder and Chairman of Manas Advisory, a consultancy practice focusing on business and cultural relations with China, Mongolia and Myanmar. He is Treasurer and Honorary Fellow at the Institute of Chinese Studies, Delhi. He holds a Masters degree in Experimental Psychology from Gonville and Caius College, Cambridge University, when the renowned Sinologist and scientist Joseph Needham was Master of the College, and also holds an AMP from Harvard. He is a member of the Confederation of Indian Industry (CII) Core Group on China, Fellow of the Royal Geographical Society, London and sits on the Editorial Boards of China Report and World Affairs, two international journals published out of India.



Santosh Pai has been offering legal services to clients in the India-China corridor since 2010. His areas of interest include Chinese investments in India, India-China comparative law and policy, cross-cultural negotiations and board governance. He holds a BA, LL.B. (Hons.) degree from NLSIU, Bangalore, LL.M. (Chinese law) from Tsinghua University, Beijing and an MBA from Vlerick University, Belgium (Peking University campus). His manuscript "Practical Guide on Investing in India for Chinese investors" has been translated into Chinese and published by China Law Press. Santosh Pai is Honorary Fellow at ICS, and a partner at Link Legal, an Indian law firm. He is a member of CII's Core Group on China, teaches two courses on India-China business at IIM Shillong and volunteers at NGOs in his free time.

Moderator

A career diplomat, Kantha was Ambassador of India to China until January 2016. Prior to this, he was Secretary (East) at Ministry of External Affairs in New Delhi with responsibility for about 65 countries in India's extended neighborhood. His previous assignments include High Commissioner of India to Sri Lanka and Malaysia, Consul General in Hong Kong, Deputy Chief of Mission in Kathmandu (Nepal), and Joint Secretary (East Asia) in Ministry of External Affairs. Earlier, Kantha served in different capacities at Indian Missions in Singapore, China and the USA, and at headquarters in New Delhi.

Institution Profiles

The Institute of Chinese Studies, Delhi (ICS) is one of the oldest research institutions on China and East Asia in India. With support from the Ministry of External Affairs, Government of India, it is the mandate of the ICS to develop a strategic vision for India's dealings with China and to help adapt India's priorities quickly and appropriately to address the research and educational demands arising from China's emergence. The ICS seeks to promote interdisciplinary study and research on China and the rest of the South -East Asia with a focus on expertise in China's domestic politics, international relations, economy, history, health, education, border studies, language and culture, and on India-China comparative studies. It also looks to foster active links with business, media, government and non-governmental organizations in India through applied research, executive training programmes, and seminars and conferences, and to serve as a repository of knowledge and data grounded in first-hand research on Chinese politics, economy, international relations, society and culture.

Its supporters include Tata Trusts, Indian Council of Social Science Research Gargi Vidya Prakash Dutt Memorial, Jamnalal Bajaj Foundation and Pirojshaty Godrej Foundation. It also boasts of various universities worldwide as academic partners. The mandate of the ICS is to develop a strategic vision for India's dealings with China and to help adapt India's priorities quickly and appropriately to address the research and educational demands arising from China's emergence.The Institute has played a notable role in shaping the public opinion on China through a variety of outlets such as its regular publications like China Report, ICS Analysis, ICS Occasional Papers and Working Papers, which marks its activity on the academic forefront. It also has a robust social media presence as it is very active on Twitter and Instagram, uploads regularly on Soundcloud, videos on YouTube and publishes regular blog pieces on its website.

Institution Profiles

The Konrad-Adenauer-Stiftung (KAS) is a German political foundation with a Christian-Democratic profile. Through political education and counselling, the foundation campaigns worldwide for peace, freedom and justice. Their principal aim is to preserve and promote liberal democracy and strengthen international dialogue. Konrad-Adenauer-Stiftung is a partner of the European Union to strengthen democracy, promote party cooperation and non-state actors (civil society, media, etc.), carry out political education and support good governance and decentralization. In cooperation with European and international partners, KAS also applies for EU service projects and benefits strongly from the worldwide institutional presence through its foreign offices as well as the broad network of local partners and experts on project-relevant topics.

Established in 1955 as "Society for Christian-Democratic Civic Education", the Foundation took on the name of the first Federal Chancellor, Konrad Adenauer in 1964. In Germany, 16 regional offices offer a wide variety of civic education conferences and events. Their offices abroad are in charge of over 200 projects in more than 120 countries. The foundation's headquarters are situated in Sankt Augustin near Bonn, and also in Berlin. There, an additional conference center, named "The Academy", was opened in 1998.As a think-tank and consulting agency, their soundly researched scientific fundamental concepts and current analyzes are meant to offer a basis for possible political action. The Berlin Academy is the national forum of dialogue between the spheres of politics, economy, science, and society. In Germany, they organize conferences and events to foster public debate and participation with more than 2,500 events per year which attract 145,000 participants. They provide moral and material support to intellectually gifted young people, not only from Germany, but also from Central and Eastern Europe and developing countries. They support young artists and award the renowned KAS Literature Prize every year. They also have been awarding their own local journalist prize since 1980. The "Social Market Economy Award of the Konrad-Adenauer-Foundation" has honored personalities since 2002 who have made an outstanding contribution to maintaining and developing the social market economy.