

Dow Jones Reprints: This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers, use the Order Reprints tool at the bottom of any article or visit www.djreprints.com

[See a sample reprint in PDF format. Order a reprint of this article now](#)

THE WALL STREET JOURNAL.
WSJ.com

OPINION ASIA NOVEMBER 2, 2009, 11:25 P.M. ET

The Chindia Trade Solution

Economic cooperation can overcome border tensions.

By **AMITENDU PALIT AND ALEC VAN GELDER**

India and China disagree about many things, not least their border, where tensions have been flaring up again recently. But on one thing there are encouraging signs that they may be willing to cooperate in a way that will benefit both of them, and the rest of Asia: trade.

The countries announced at the recent East Asia summit in Thailand that they will pursue negotiations for a free-trade agreement. This makes perfect sense. Beneath fiery rhetoric from both sides on issues like the border and broader political influence, China has quietly emerged as India's most important trade partner, and India is an increasingly important partner for China. Since China joined the World Trade Organization in 2001, Sino-Indian bilateral trade has grown to \$40.6 billion a year from \$2.3 billion—an average 50% increase every year. Since 2003-04, bilateral trade has grown at almost double the rate of their trade with other countries.

This is the latest flowering of an ancient relationship. The busy Southern Silk Route connected the Sichuan basin in China and the Gangetic plains in India for almost 3,000 years, and it never completely disappeared. This promoted exchange of saffron and silk and the flow of Buddhist pilgrims and practices. Maritime silk trade further strengthened economic ties during the Middle Ages. India and China accounted for 48.9% of world output in purchasing power parity terms in 1820 before colonization and the rise of the West. Today, despite popular suspicions, ordinary Indians and Chinese again are discovering that trade turns enemies into colleagues.

China and India are an ideal match: India's technology and services-oriented companies complement perfectly Chinese manufacturing and infrastructure prowess. India also stands poised to benefit from the investments of cash-rich Chinese companies. India's telecommunications infrastructure has received a massive boost from Huawei Technologies' \$100 million research and development facility in Bangalore, producing cutting-edge optical networks. Major Indian information technology companies like Infosys, Tata Consultancy Services and Satyam already have operations in China, as do pharmaceutical firms such as Ranbaxy and Dr. Reddy's Laboratories. Supply chains are now more likely than ever to run through both Chinese and Indian companies. One example is the far-reaching Lenovo production network, with both Chinese and Indian factories.

Trade is opening the way for stronger cultural and intellectual ties. Researchers in both countries are collaborating in agricultural research, trade in commodity futures and even on the environment. The number of students in India learning Mandarin has shot up and there is even a female Chinese cricket team, coached by an Indian and training in Punjab.

Politics is the greatest barrier to the continuation of these healthy trends. Hostility surfaces time and again over the disputed border regions and issues like Tibet. However, the meteoric rise in bilateral trade over the past decade could force Beijing and New Delhi to rethink their relationship—including the insight that renewed aggression would threaten each other's prosperity.

A trade agreement could institutionalize that understanding, if such a pact materializes. Today, there is an opportunity to strengthen the prospects of peace and to catapult growth higher still by a concerted political effort to remove existing barriers between the two nations. Research indicates two-way trade could rise above \$100 billion in the next few years but this remains a tiny fraction of their combined GDP of \$5.6 trillion. As a matter of national self-interest, both countries should act now.

Mr. Palit is a visiting research fellow at the Institute of South Asian Studies of the National University of Singapore. Mr. van Gelder is project director at International Policy Network, a London-based think-tank.

Copyright 2009 Dow Jones & Company, Inc. All Rights Reserved

This copy is for your personal, non-commercial use only. Distribution and use of this material are governed by our [Subscriber Agreement](#) and by copyright law. For non-personal use or to order multiple copies, please contact Dow Jones Reprints at 1-800-843-0008 or visit www.djreprints.com.