The Analysis of China’s Investment to India Under the One Belt and One Road

Yonghua Yang¹,a and Yuanyuan Xie²,b,*

¹,²School of Economics and Management, Yunnan Normal University, Kunming 650500, China

a yhyang2003@163.com, b673909821@qq.com

*Corresponding author

Keywords: One Belt and One Road, China’s Investment to India, South Asia Region.

Abstract. Exploring China’s investment to India under One Belt and One Road have important theoretical and practical significance Based on the China’s investment to India under the policy One Belt and One Road, it is found that China has a small investment to India and has the unbalanced investment to the regions and industries. After the deeper researching, it is found that due to the gap between China and India in history and the weak communication in the cooperation under One Belt and One Road, India government does not have a deep understanding of this policy which can bring great economic benefits and the important meaning to the culture exchanges for the countries along the routes. Therefore, this paper makes analysis for these problems and puts forward some advice and suggestions, like strengthening the negotiation with India government, investing more to the potential areas and investing in a number of areas.

1. Introduction

1.1 The meaning of One Belt and One Road

In the year of 2013, the Chairman Xi has visited many countries in Central Asia, Southeast Asia and Middle East and has talked many times with numerous chiefs of state and political leaders about the two-way relationship and regions’ development. At the same time, it was deeply analyzed for the positive significance and effects for the world of running One Belt and One Road. Afterwards, the policy has carried out officially.

1.2 The advantages and orientation of India in One Belt and One Road

South Asia is an important regional during proceeding One Belt and One Road. In the northern part of India, it connects the regionals of the Atlantic and the Pacific Ocean, resulting in the convenient communication to the major continents and oceans of the world. The geographical position of India is richly endowed by nature and India is the only country which goes along the Maritime Silk Road and the Silk Road Economic Belt. It works as the intermediate transit point to transfer the resource, connecting the economic artery of the Atlantic, the Pacific Ocean and the India Ocean. Thus it can be seen that India plays a very important role in One Belt and One Road.

1.3 The meaning for investing India of One Belt and One Road

In May 2015, Both Indian and China emphasized that two countries should enhance the connection, security, mutual trust and so on. As the security and mutual trust, both countries have same pursuit and need a peaceful and stable surrounding environment. One Belt and One Road can enhance the communication to make two countries to build a peaceful environment. From the aspect of culture, the policy can promote culture exchanges to make two countries people to know each other better.
2. The current situation of China’s investment to India

2.1 The scale of China’s investment to India

According to the data from China’s Ministry of Commerce, in 2010, China’s direct investment to India reached 47.61 million dollars. In 2014 it reached 317.18 million dollars. As the end of 2015, direct investment amounted to 705.25 million dollars. The share investment to India of China’s total foreign investment is small.

2.2 The regional distribution of China’s investment to India

The regional of China’s investment to India concentrate on the developed cities and early-developing cities and China invests along the big cities. The capital city New Delhi, the large city in the west, Mumbai, the Eastern Science and technology city, Bangalore and Calcutta are all the major investment regionals. But for the northeastern mountainous regionals and other poor environment regionals have less investment.

2.3 The industry distribution of China’s investment to India

China’s foreign investment concentrates on the building and retail industry. At the same times, it will cause India government’s concern about the safety of network telecommunications for China's major enterprises trying to enter the telecommunications service industry in India (Table 1).

Table 1. Proportion of China's direct investment in India's industry.

<table>
<thead>
<tr>
<th>Industry</th>
<th>Proportion (%)</th>
<th>Industry</th>
<th>Proportion (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service industry</td>
<td>2.61</td>
<td>Electric power</td>
<td>0.58</td>
</tr>
<tr>
<td>Construction and development: Township, housing, infrastructure</td>
<td>1.60</td>
<td>Chemical products (except fertilizer)</td>
<td>0.58</td>
</tr>
<tr>
<td>Communication industry</td>
<td>1.01</td>
<td>Mobile phone</td>
<td>0.58</td>
</tr>
<tr>
<td>Computer software and hardware</td>
<td>0.87</td>
<td>Metallurgical industry</td>
<td>0.58</td>
</tr>
<tr>
<td>Medicine</td>
<td>0.87</td>
<td>Hotels and tourism industry</td>
<td>0.44</td>
</tr>
</tbody>
</table>

Note: Data from India chamber of Commerce and Industry Department of industrial policy and Promotion Bureau

3. Problems and causes of China's investment to India

3.1 Problems of China's investment to India

3.1.1 Small investment

Table 2 is the situation of China’s direct investment to India in 2003 to 2012. According to the table, it can be seen that China has increased its investment to India, but its investment base is still at an early stage because of its small investment base.

Table 2. China’s direct investment to India from 2003 to 2012 (Unit: US $10 thousand).

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount of investment</td>
<td>15</td>
<td>35</td>
<td>1116</td>
<td>561</td>
<td>2202</td>
<td>10188</td>
<td>-2488</td>
<td>4761</td>
<td>18008</td>
<td>15429</td>
</tr>
<tr>
<td>Growth rate (%)</td>
<td>/</td>
<td>133.3</td>
<td>3088.6</td>
<td>-49.7</td>
<td>292.5</td>
<td>362.7</td>
<td>-124.4</td>
<td>/</td>
<td>2878.2</td>
<td>-14.3</td>
</tr>
</tbody>
</table>

Note: Data from Statistical Communique on China's foreign direct investment in 2003-2012

3.1.2 Nonuniform investing industries

In recent years, although new fields have been added, such as automobile consumption and enterprise services, the investments are relatively small and cannot compare with the investment in traditional fields. According to the national Ministry of Commerce, China foreign direct investment relatively
large industries such as leasing and business services, wholesale and retail, information transmission are not accounted for a space for one person in India, but more concentrated in traditional industries. That’s why the investing industries to India also should be more balanced.

3.2 Analysis of the problems existing in China's investment to India

3.2.1 India’s indifferent response to One Belt and One Road

After China puts forwards to One Belt and One Road, it was very popular among the countries along the route. For Indian government, One Belt and One Road is the first step for China to make the foreign aggrandizement. China can use the excuse of Maritime Silk Road to enter the India Ocean perfectly justified. It makes the Indian strong country, India to not only watch out the influence of the safety for India in India Ocean area but also the influence for India’s status if China works well with countries along the policy.

3.2.2 Serious polarization between rich and poor in India

India is similar to China, which has big population. Although India has large land, rich natural resources and so on, it is geographically unbalanced. Due to the inherent natural environment and resource allocation, it has different develop basis. For example, for the northwestern part, due to the poor environment, have difficulties to develop. For the port city like Mumbai and Kolkata, because of the Innate advantages of the natural environment, are near to ports and have long coastlines resulting in the developed shipping to communicate with world and develop fast. That’s the reason why India has serious polarization between rich and poor geographically.

3.2.3 Investment Bottleneck of infrastructure in India

India's infrastructure is too old to meet the basic needs of its people at when the population is rising. In addition, India railway freight lines are short and ports are old. Cities are crowded and airports are overcrowded. The Indian scholar Geethanjali Nataraj points that the lack of adequate infrastructure has pushed India's GDP growth down to 1% - 2% a year. The major bottleneck in infrastructure construction is the difficulty of financing. India's large-scale and obsolete infrastructures require the Indian to increase the attraction of foreign investment in addition to the limited public revenue.

4. One Belt and One Road influences China’s investing mechanism to India

4.1 Positive effect of China’s investing India under One Belt and One Road

4.1.1 Road to finance

In May 2013, Premier Li Keqiang proposed the construction of the Sino Indian corridor, which closely related to India and received the response and support from India. The symbolic move for the Sino Indian corridor is to build channels from Kunming to Calcutta to get through land transportation in China, Bangladesh, Myanmar and India and even lead into the industrial investment on this basis. According to the agreement reached between China and India, China promised to invest 20 billion dollars in India over the next five years and to participate in the upgrading of the India railway system and high-speed rail construction.

4.1.2 Road to trade

The core of the one belt one road policy is the interconnection, which is to reduce trade costs through the promotion of the transportation and other infrastructure construction to strengthen economic exchanges develop together with countries along the route. The construction of BCIM Economic Corridor promotes the bilateral trade develop rapidly through the improvement of transportation to greatly reduce the transportation costs of goods and trade transaction costs.
4.1.3 Road to develop
Although China has been developing rapidly in recent years, the difference between rich and poor in the eastern coastal areas and the inland areas in the west is remarkable. Similarly, in the northeastern part of India, due to its mountainous region, poor natural environment, the border area and a politically sensitive area, the exchange conditions are limited. Moreover, the infrastructure construction is weak and economic and trade development lags behind. Pushing forwards to BCIM Economic Corridor is benefit to promote the opening of the border between China and India, rationally allocate resources in regional economic cooperation, adjust and optimize the industrial structure and promote the economic development of the less developed areas of the two countries’ border areas.

4.1.4 Road to communicate
Carrying out One Belt and One Road will go through Asia and Europe, which involves many countries including itself, has more contradictions and conflicts in South Asia. Under the major premise of development to carry out One Belt and One Road, strengthen the communications between countries and work hard to develop the economy together and enhance the comprehensive national strength. With the continuous strengthening of exchanges, promote mutual understanding and the friendly cooperation between countries.

4.2 negative impact of China’s investing to India under One Belt and One Road
4.2.1 India’s doubt to China
China carries out the one belt one road policy to strengthen the communications with countries in South Asia to make good relationships with them. The India government has been trying to contain Pakistan by wooing Afghanistan. China’s entry into South Asian countries and its in-depth links with Middle Asian countries will affect the status of India and disrupt the current balance situation.

4.2.2 Security and cultural conflicts of surrounding countries
The one belt one road policy is wide range and more than 60 countries have participated. In South Asia, countries such as Pakistan, India and Bangladesh are involved. South Asia area is not very stable and the conflict between India and Pakistan is long-standing. These two countries had disputes over Kashmir and have serious cultural conflicts because of their religious beliefs. To a certain degree, India, Pakistan, Bangladesh and Kashmir also have conflicts. Under One Belt and One Road, if the national relationships and cultural conflicts cannot be dealt well with, it might cause the new conflicts because of the remained cultural conflicts in the history of South Asia.

5. The strategies to promote China’s investment to India under one belt one road
5.1 Strengthen negotiations with India government and friendly cooperation with South Asia
Two countries are supposed to communicate more and know more about huge benefit brought from the one belt one road policy so they can solve the problems together and avoid the worries and divergences. Meanwhile, strengthen relationships with local non-governmental organizations to increase stability for carrying out the policy. Consider the combination of the policy implementation and recruitment of labor to benefit local people's livelihood, help solve the employment problem and get more people’s support resulting in two tracks, the government and people to accept the policy to achieve the optimum situation of economic effect, ecological effect, people’s livelihood effect and social effect.

5.2 Strengthen infrastructure cooperation
The key of one belt one road is to communicate. India's infrastructure is weak and it is urgent for foreign investment to build. China should actively carry out infrastructure cooperation in such fields as information and communication, high-speed railways, cross-border bridges and so on to promote
the trade of the transportation industry. At the same time, build the infrastructure to benefit Indian people so they accept the policy radically and deepen the promotion of the policy from government to people and truly realize the cooperation development from countries to people.

5.2.1 Strengthen investment in potential areas

India's current development is concentrated in the major cities, while the second tier cities are developing more slowly with less foreign investment. But some cities have great potential for investment. They can be invested in education industry, culture industry and so on. For example, India proposed to create 100 smart cities in 2014 and build New Delhi-Mumbai Industry Corridor and focus on transportation, IT support governance and renewable energy applications. China should seize the opportunity to make targeted investment in these new towns and promote the economic development of both countries.

5.2.2 Multi-field investment to India

The investment in India should not be confined to the traditional field. In today's world, Internet banking is developing at a high speed and development should be combined with high technology. India has entered the mobile era and the main consumer is young people. China can combine its own business model with the local situation to make the second development of China's electricity supplier and Internet banking in India. Other aspects like O2O model, cultural industries, and other areas of investment, find the most suitable investment in the field to achieve win-win situation.

5.2.3 Complementary industries and balanced bilateral trade

China and India both have their own dominant industries and both should relax their market access to investment and increase their investment in accordance with the principle of comparative advantage. India is leading in services; information technology and bio pharmaceuticals and China should vigorously introduce and upgrade its own level. While China is a big manufacturing country and India can continue to import China's cheap and fine industrial manufactured goods and introduce investment in manufacturing from china to achieve complementary advantages of industry and dynamic balance of bilateral trade.

Acknowledgments

This work is supported by Department of Science and Technology of Yunnan Province under grant number 2016FB118.

References