

## India Cautiously Explores Economic Cooperation with China Amidst Shifting Global Landscape



India is seeing initial signs of renewed economic engagement with China, with Finance Minister Nirmala Sitharaman indicating a cautious willingness to explore greater market access and interactions. While acknowledging calls from domestic stakeholders for increased business opportunities, Sitharaman emphasized that any such steps would require a "sense of caution," reflecting the nuanced and often complex relationship between the two Asian giants.

Speaking on Saturday at the launch of the book "A World in Flux: India's Economic Priorities," Sitharaman highlighted that both India and China recognize a "need to have more access and a lot more interactions" to potentially open new windows for economic cooperation. This comes on the heels of several diplomatic engagements, including External Affairs Minister S. Jaishankar's recent visit to China, his first in five years, which signaled a cautious improvement in bilateral ties following the 2020 Galwan Valley clash. India has also resumed issuing tourist visas for Chinese nationals, and discussions are underway to revive direct flights.

Despite these overtures, the historical trade imbalance and lingering border tensions remain significant points of contention. In the financial year 2024-25, India's trade deficit with China widened to approximately \$99.2 billion. While India primarily exports raw materials like iron ore and agricultural products, its imports from China are dominated by finished goods, particularly electrical machinery, electronics, and chemicals. Concerns have also been raised about China's restrictions on the export of critical minerals and fertilizers, which impact Indian industries.

"There is something, some kind of a beginning," Sitharaman stated regarding the potential for increased engagement. "As to how far it will go, that's something we have to wait and see. But it might help the economy; however, a sense of caution would have to be built in." Her remarks underscore India's pragmatic approach, balancing potential economic benefits with strategic considerations.

This cautious recalibration in economic ties aligns with India's broader foreign policy objectives, which prioritize sustained economic growth, job creation, and a dynamic role in global institutions. While bilateral trade agreements with countries like Australia, the UAE, and the UK have taken precedence, the evolving dynamic with China suggests a pragmatic exploration of economic avenues without fully normalizing the relationship in other sensitive areas, particularly concerning the unresolved border dispute.

As both nations navigate a complex geopolitical environment, the coming months will reveal the extent to which this tentative beginning translates into substantive and mutually beneficial economic cooperation, all while India maintains its vigilance and a clear sense of strategic caution.