

China-India Trade: Can It Overcome Its Logistical Stupidity?

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Conceptually, replacement of Dollar does not necessarily imply creation of a new currency. However, if the dominance of Dollar can be questioned, which other existing currency are we talking about? Perhaps, if the Dollar will be replaced at all; it will be by a brand new currency. But is it really going to happen?



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- Nikhilesh Dholakia
University of Rhode Island

Imagine this scenario. United States and its largest trading partner Canada decide that they will not permit any border crossings for trade or tourism. All trade will happen only between the East coast ports in Canada's Maritime Provinces and U.S. ports such as Galveston, Texas and Long Beach, California – using a long and circuitous shipping route. Sounds like a ridiculous way of doing business, doesn't it? But this is about the way China and India carry on their burgeoning trade.

China-India trade – while still small by standards of massive neighborly trade flows such as those across USA-Canada, USA-Mexico, and Germany-France – has grown exponentially in the past decade. Trade between China and India is expected to cross \$60 billion by the end of 2009, from a level under \$20 billion five years ago. Yet, India and China have no easy way to send merchandise to each other.

As a kid, when I did something that was straightforward and simple, but in a stupid and cumbersome way, my father would say: “You can touch your nose with your fingers in a straightforward way, but instead you are wrapping your arm behind your head to get your fingers to reach your nose.” The logistics of the trade between China and India has a character akin to this stupid way of touching one's nose.

China of course has ocean access only on its eastern side, and the crossover from the Pacific Ocean ports of China to India's ports on the Indian Ocean is a long haul, through

the very southern Straits of Malacca. This long and circuitous route is what the Chinese and Indian vessels have to use to reach each other's markets.

China has financed the massive modern port of Gwadar in the Baluchistan Province of Pakistan, and built a highway through the Karakoram mountains to bring Chinese goods to this strategic port at the lucrative junction of the Arabian Sea, which has the best ports of India, and the Persian Gulf – with its oil wealth as well as commercial dynamism of Dubai. The Gwadar port, however, sits mostly idle. Geopolitical conflicts have made it very difficult to send convoys of goods via unstable, terror-ridden parts of Pakistan to this port. The Baluch, who are simple and friendly tribal people and not extremists, resent the Chinese-Pakistan incursions into their lands. They see Gwadar and its feeder highway as a Punjabi imperialist move by the ruling powers in Islamabad. Baluch people are in fact very happy to maintain the traditional trade routes with India and the Middle East, via the port of Muscat in Oman, just a dhow ride away across the narrow Persian Gulf.

Indian Military analysts argue that the current mission of these ports may be commercial but such ports could easily be converted into Chinese naval bases. So, under such conditions, alternate sea-based trade routes between China and India are difficult to create.

What, then, about the massive common land border between India and China? It is true that the over-2000 miles long border runs through the difficult high-altitude terrain of the Himalayas. But that should not be a

challenge given the available technology. In fact, China now boasts the world's highest highway – to Lhasa in Tibet – a highway that is over 18,000 feet in elevation at some points. India also has built good high altitude roads, but for military purposes.

The only significant border crossing between India and China is at 14,000 feet elevation, at Nathu La. Connecting India's Sikkim state to Tibet, this high altitude pass was closed for over three decades after the India-China border war in the early 1960s. Nathu La is now open, but there is no vehicular road. It is basically a route for mule trains, like the ancient Silk Road. The Nathu La connection between China and India is not like the smooth alpine highways of Europe, using which trucks roll from Germany all the way to the Mediterranean. The technology exists to build alpine style highways, perhaps even rail links, but the political will does not.

The basic issue is the contested border between India and China. During the British colonial times on the Indian subcontinent, the border was defined by the British as the Johnson Line. Today, India claims Aksai Chin as a historic part of India's Ladakh, and China claims India's Arunachal Pradesh state as part of China and Tibet.

The rational solution – and it is very difficult to achieve, given the military and nationalistic stances on both sides – is for India to forgo its Aksai Chin claim and for China to accept Arunachal Pradesh, with its free and democratically elected state government, as India's territory. This is the de facto situation, anyway, and its acceptance should solve almost all border

issues between these two Asian giants. Would this happen? It is not clear it will, any time soon. There are moves towards rapprochement, and then there are acrimonious and threatening border moves. It is indeed amazing that countries with \$60 billion and growing mutual trade are in a state of conflict at their borders.

Of course, a new strategic level understanding between China and India could result in cultural dividends for both sides. The whole majestic Himalayan range, stretching from Aksai Chin to Arunachal Pradesh, could become a vibrant global site for Buddhist learning and spiritual renewal and herbal healing. Environmentally safe highways, railways and tunnel systems could be created at selected border passes, with large swaths protected as nature preserves on either side of the border, and including nations of Nepal and Bhutan. The situation could be analogous to the American Rocky Mountains. Trade and travel routes, highways and railways, cross from East to West but the best wilderness stretches in the U.S. and Canadian Rockies are preserved as pristine nature parks. China and India could also select, carefully planned, low impact trade and travel routed through the pristine Himalayan ranges.

Perhaps a start toward such goals could be made by launching voluntary organizations that connect people, common citizens – especially the youth of India, China, Nepal, Bhutan, Pakistan and Burma – with interests in preserving the common natural and spiritual heritage of the majestic Himalayas rather than in fighting wars or hurling angry political and diplomatic invectives.

About the Author



Nikhilesh Dholakia is Professor of Marketing, E-Commerce, and International Business in the College of Business Administration at the University of Rhode Island (URI). He is also the Associate Director of the Research Institute for Telecommunications and Information Marketing (RITIM), one of the centers of research excellence at the URI College of Business Administration. Dr. Dholakia holds a B.Tech. in Chemical Engineering from Indian Institute of Technology, an MBA from Indian Institute of Management, and a Ph.D. in Marketing from the Kellogg School at Northwestern University. Prior to joining URI, Nik Dholakia taught at University of Illinois at Chicago, Kansas State University, and Indian Institutes of Management at Ahmedabad and Calcutta. He has been a Visiting Professor at Northwestern University's Kellogg School, Chuo University in Japan, Arizona State University's Phoenix campus, Helsinki School of Business and Economics, Erskine Fellow at the University of Canterbury in New Zealand, and a Visiting Scholar at the Norwegian Institute for Market Research.

Email: nik@uri.edu

Website: <http://www.cba.uri.edu/faculty/dholakia/>

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Email: info@icainstitute.org

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Address: India China America Institute
1549 Clairmont Road, Suite 203
Decatur (Atlanta), GA 30033 USA