

Economics | Trade

Modi Adviser Urges India to Seek More Chinese Investment, Trade

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✦ Takeaways by Bloomberg AI

- India should deepen economic ties with Beijing by opening the door to greater Chinese investment, according to Rakesh Mohan, a part-time member of Modi's Economic Advisory Council.
- Mohan suggests India should leverage its low manufacturing wages to attract capital from China and encourage Chinese manufacturers to invest in labor-intensive sectors such as textiles and garments.
- India should reconsider regional trade pacts, including the China-backed RCEP, and seek membership in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership to deepen its integration with Asian supply chains.

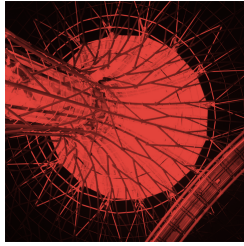
India should deepen economic ties with Beijing by opening the door to greater Chinese investment and reconsidering regional trade pacts as shifting geopolitics make the US a less dependable partner, an adviser to Prime Minister Narendra Modi said.

Rather than relying on protectionist policies, India should leverage its low manufacturing wages to attract capital from Asia's largest economy in an effort to create jobs and boost exports, Rakesh Mohan, a part-time member of Modi's Economic Advisory Council, said in an interview on Thursday.

In particular, New Delhi should encourage Chinese manufacturers to invest in India's labor-intensive sectors such as textiles, garments, footwear and furniture, Mohan added.

"We are importing everything from China and exporting very little," Mohan said. "We have to look in detail at what China imports and identify

where India can compete.”



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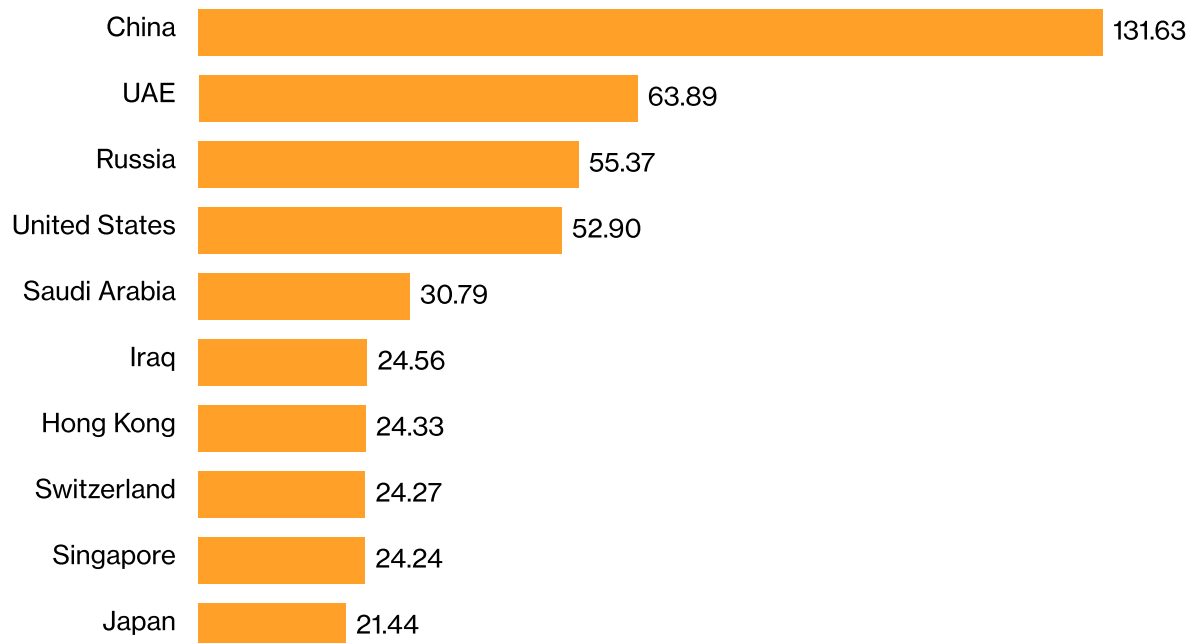
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The remarks are notable because they challenge New Delhi's economic strategy following deadly border clashes in 2020, when India tightened scrutiny of Chinese investment. Even before tensions escalated, India had opted out of the China-backed Regional Comprehensive Economic Partnership, or RCEP. With President Donald Trump's tariff policies raising doubts about the US as a long-term economic partner, the comments suggest some policymakers see a case for recalibrating India's approach to Beijing.

India Imports Heavily from China

Import in \$ billion



Note: The data pertains to the full financial year 2025-26 that ended in March
Source: Government

India and China fought a war in 1962 and have remained strategic rivals with recurring military standoffs along their disputed Himalayan frontier. Over the past year, they have taken steps to repair relations. In recent

months, India has restored direct flights, resumed business visas and approved select Chinese investments in sectors such as electronics.

China, meanwhile, continues to restrict exports of critical materials and technologies, including rare earths while India maintains some restrictions on investment and business too.

“We have to be pragmatic in our dealing with China,” Mohan said.
“Economic security is as important as national security.”

The former Reserve Bank of India Deputy Governor also called for further easing of restrictions on business travel and people-to-people exchanges, including expanding business visas, increasing academic collaboration and restoring more flights.

Mohan argued that India’s growing dependence on Chinese imports, including more than \$130 billion of goods in the fiscal year-ended March, makes deeper engagement unavoidable.

At the same time, Washington has become “a lot more unreliable” because of its shifting trade policies, making it essential for New Delhi to diversify its economic partnerships, Mohan said.

That means continuing to pursue free-trade agreements with Western countries including the US while deepening engagement with East and Southeast Asia, which Mohan said will drive much of the world’s economic growth over the next decade.

“We need to be much more part of the Asian supply chain,” he said.

As part of that strategy, Mohan urged New Delhi to reconsider its decision to stay out of China-backed RCEP, which India opted out of in 2019 over concerns that cheaper imports would hurt domestic manufacturers and farmers. He also called on India to seek membership in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership.

Joining the two trade blocs, he said, would deepen India’s integration with Asian supply chains, strengthen its manufacturing base and boost exports to Western markets.



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