

Dogo Rangsang Research Journal
ISSN : 2347-7180

UGC Care Group I Journal
Vol-10 Issue-07 No. 24 July 2020

A GLIMPSE OF INDIANS VIEW ON BANNING CHINA'S TRADE

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ABSTRACT

The Government has disagreed on the border dispute with China by sharpening its gun in the form of trade. India has severed as a biggest market to Chinese goods. This paper highlights the effects of banning China goods to India. In order to know the percentage of dependence of trade by India on China, the data related to exports and imports were collected. UCINET Window package was used to know the extent of dependence of India on imports and exports from the year 2014 to 2019. Data related to Foreign Direct Investment (FDI) was collected and trend line was drawn on the basis of data. Banning of trade will have effects in the foreign policies of both the countries. India would have joined as the Member of Regional Comprehensive Economic Partnership (RCEP)- a Free Trade Agreement (FTA) which would saved India from such disputes.

KEYWORDS

Trade War, Bilateral Agreement Trade, Trade Deficits, Foreign Direct Investment



Figure : 1 Chinese Apps Banned In India ...inventiva.co.in

While one could understand outrage that Indians would feel when they were about the brutal death of the soldiers, turning of the border or defense into a trade one is an ill advised move there reason behind it are many:

I. TRADE DEFICIT ARE NOT NECESSARILY BAD

Banning of trade may lead to trade deficit which is not somehow bad things and moreover it doesn't make the domestic economic weaker or worse off. A trade deficit with China only means that Indians buy more Chinese products than what Chinese would buy from India but it is not a bad aspects.

Essentially it shows that Indian consumer' s as well as a Chinese producer gained much. It is this process which generates gain from trade. It is the Indian consumers who made their purchase decisions individually or voluntarily for China . Having trade deficit across the countries leads to two main issues. India has more than \$ 500 billion of forex -to cover for import. ⁶

IT ALSO SHOWS THAT INDIA IS NOT CAPABLE OF PRODUCING THE NEEDS OF ITS OWN PEOPLE IN MOST EFFICIENT MANNER:

At one hand no country is self sufficient. It allow countries to specialise in the production of goods more effectively and to trade with other countries so as to have a persistent trade. It also forces the Indian government to put in policies and create the infrastructure that raises the competitiveness.

II. WILL AFFECT INDIAN POOR THE MOST:

Poorest consumers are the worst hit in the trade ban with China because they are most price sensitive. For instance in number of poor who could have afforded to an AC would either have to forgo buying because it is now too costly to buy from other countries.

Similarly, the Chinese products that are in India are already paid for banning their sales, Indian are hurting fellows, Indian retailers. Again this hit is affect the poorest retailers and may leads to unexpected losses.

III. WILL PUNISH INDIAN PRODUCERS AND EXPORTERS

Some may argue that trading with China may hurt the Indian producers. This may hurts only less efficient Indian producers but may help the more efficient Indian producers and Business. It is important to note that the Indian consumers of Chinese imports consumers several intermediate goods and raw materials nuclear reactors, fertilisers which in turn used to in final goods. Such imports are used to produce final goods which are either sold in India or exported.

IV. WILL BURLY HURT CHINA

Still some argue that we want to single out China because it has killed our soldiers at the border and we will punish it through trade. Here, a questions arise in the mind, will burning trade in hurt China ?

The truth is exact opposite it will hurt India, Indian for more than if hurt China . This is because China account for 5% of India's exports and 14% of India's imports in US Value. India's import from China is just 3% of China total exports. More importantly China 's imports from India of less than 1% of its total imports.

Moreover, it takes the notion of not letting China from Indian purchasing power strictly. Indian should also avoid buying all products that use Chinese goods and labour. Moreover, it is also tough to find out the involvement of Chinese in all over trade on a real time basis.⁷

On the whole, it is much earlier for China replace India than for India to replace China . Moreover, India would survive only at a huge cost to common Indian while depriving many Indian Businesses. Moreover, in the short term, it would be difficult and costly to replace China products. Diverting all our imports from China to Japan and Germany will increase our total trade deficit.

V. INDIA WILL LOSE POLICY CREDIBILITY

It has also been suggested that India should abandon existing contracts with China . Again, this may relieve hurt sentiments, because it would the determinately factor to attract foreign investment.⁸

One has to look into policy credibility and certainty. If policies have changed overnight, no investors will be in a position to invest or they will face higher return for the risk.

VI. RAISING TARIFF IS MUTUALLY ASSURED DESTRUCTION

It has also argued that India should increase import duties on Chinese goods. Other has suggested that India can allow primary and intermediaries goods from China at zero duty, but apply prohibitive tariffs on final goods. In the same way like India, China can also reciprocate in the same way.

THE PERCENTAGE CHANGE IN IMPORT AND EXPORT BEFORE BANNING OF TRADE WITH CHINA

TRADE BALANCE DEFICIT IN THE 10 YEARS PERIOD

Trade balance is the difference between the total monetary value of the exports and the imports. Since, Independence India generate had a trade deficit. However, the value has varied over the years. In 2018-19, the trade deficit 12.86 lakh.crores, this is the highest preceding 10 years period (2010-19). In 2017-18, 10.45 lakh crores, in 2012-13, when the deficit was 10.34 crores and the least in 2016-17 with 7.28 lakh crores.⁹

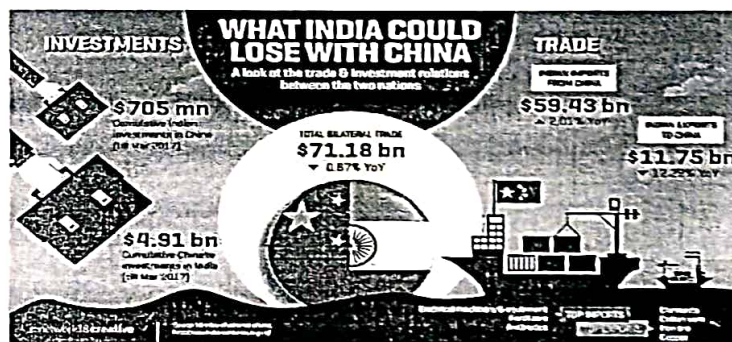


Figure : 2 India-China Trade Deficit [Mains ...iastoppers.com

BILATERAL TRADE IN INDIA AND CHINA

In 2008, India and China bilateral trade since the beginning of our largest goods trading partners. In 2011, bilateral trade reached US\$ 73.9 billion, US\$66 billion in 2012, US\$ 71.65 billion in 2015 for the last three years the bilateral trade has registered robust two digit growth. The following table shows the past few years trade.

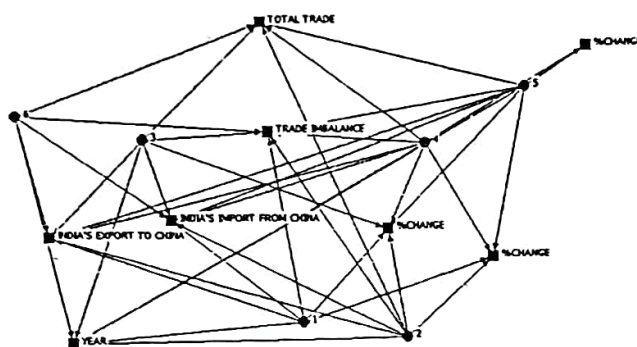
TABLE : 1 BILATERAL TRADE IN INDIA AND CHINA 2014-2019. (Figures in \$ billion)

S.NO.	YEAR	INDIA'S EXPORT TO CHINA	%CHANGE	INDIA'S IMPORT FROM CHINA	%CHANGE	TRADE IMBALANCE	TOTAL TRADE	%CHANGE
1.	2014	16.41	-3.72	54.24	11.95	37.83	70.65	7.88
2.	2015	13.39	-18.39	58.26	7.42	44.87	71.65	1.42
3.	2016	11.75	-12.29	59.43	2.01	47.68	71.18	-0.67
4.	2017	16.34	39.11	68.1	14.59	51.76	84.44	18.63
5.	2018	18.83	15.21	76.87	12.89	58.04	95.7	13.34
6.	2019	16.32	-4.6	68	-3.5	51.68	84.32	-3.72

Source: www.bloomberqqulnt.com

Table 1 shows that in 2018, the trade increased by 13.34% year after year to reach US\$95.7 billion. India's exports rebounding to US\$ 18.83 billion registering positive growth of 15.21% year on year after three years continuously declined growth of 39.11% in 2017. In 2018, India's imports from China grew by 12.89% to US\$76.87 billion while the trade deficit was \$58.04 billion.

CHART :1 BILATERAL TRADE IN INDIA AND CHINA 2014-2019. (FIGURES IN



S BILLION)

The above picture, UCINET was used to find out the India's import and export with China , bilateral trade with India and China for the year 2014-2019. Along with UCINET bar diagram was used to represents in the FDI of the China and India.

BILATERAL INVESTMENT

Global in bilateral investment has not kept pace with the expansion in trading volumes between the two countries. According to the Ministry of Commerce of China , investment in India between January-September 2019, US\$0.19 billion and cumulative China investment in India the end of September 2019 amounted US\$5.08 billion. Cumulative Indian investment in China until September 2019 is US\$ 0.92 billion.¹⁰

INDIA IMPORTS FROM CHINA OR CHINA EXPORTS TO INDIA

India imported 16,48,109 shipments valued of USD 14,65,72,47,686.1 from China period 01-11-16 to 24-11-16. India exported 100509 shipments valued of USD 1,47,15,44,960.8 to China during 01.11.16 to 24.11.16.

TOP PRODUCTS WHICH INDIA IMPORTS FROM CHINA

Telephone sets, network or reception of voice, image or other Data including Apparatus for communication in a wired or wireless network. About, 48.15% of total imports from China in coded form and machines processing such data. Not elsewhere specified or included which accounted 4.7% and 2.89% of imports respectively from China .

TOP PRODUCTS WHICH INDIA EXPORTS TO CHINA

Cotton yarn, other than sewing thread containing 85% or more by weight of cotton not put up for retail sales 12.17% of total exports to China followed by iron, ores and concentrates. Iron pipes and refined copper and copper and copper Alloys, in wrought which 10.53% and 6.98% of exports respectively to China .¹¹

INDIA AND CHINA BILATERAL TRADE REPORT

As border crisis between India and China flared up with the deadliest clash in more than 4 decades. Leaving at least 20 Indian soldiers dead, there have been calls for boycotting goods imported from neighbouring nation. China is Asia's largest economy, the world's second biggest with a GDP about \$13.6 trillion.

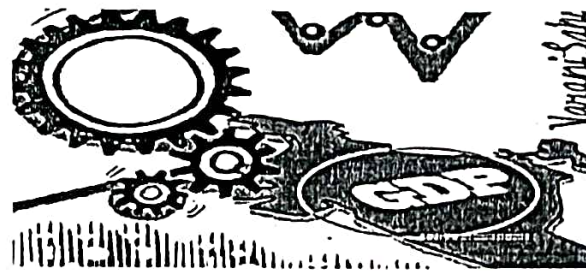


Figure: 3 Economic survey: Focus on service ...m.economictimes.com

China over 5% of India's total exports in 2019-2020 and more than 14% of imports. India runs a huge trade deficit with China, the biggest exporter to India. The following table explains the trade deficit. While the absolute value of imports from our neighbour may have fallen, their share in the overall pie rose from 13.68% in the previous fiscal. India, according to state-backed Invest India data, is the seventh largest export destination for Chinese products.¹²

TABLE : 2 INDIA HAS A TRADE DEFICIT WITH CHINA (RS.IN CRORES)

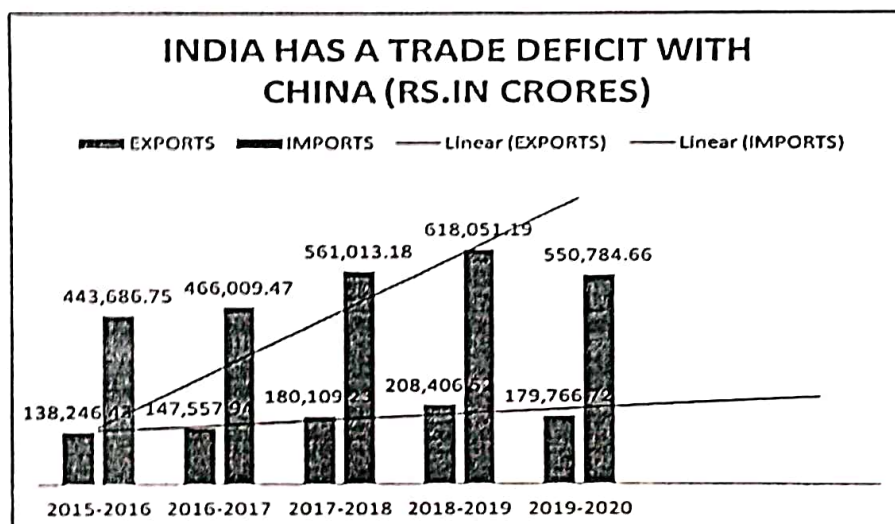
S.NO.	YEAR	EXPORTS	IMPORTS
1.	2015-2016	138,246.43	443,686.75
2.	2016-2017	147,557.94	466,009.47
3.	2017-2018	180,109.23	561,013.18
4.	2018-2019	208,406.52	618,051.19

5.	2019-2020	179,766.72	550,784.66
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Source: www.bloomberqunt.com

Table 2 reveals that year after year the exports of goods from China has increased from 2015-2020. In 2020 the exports of goods has decreased due to the banning of goods from China. In the similar way the imports of goods has increased from 2015- 2020. (i.e) 443,686.75 to 550,784.66. Increase in the imports than exports leads to trade deficits for India.

CHART : 2 INDIA HAS A TRADE DEFICIT WITH CHINA (RS.IN CRORES)



The above picture depicts the trade deficits with China. Increase in imports than exports leads to trade deficits. The value of the imports and exports has been marked to show clearly

trade deficit. Chinese exports to India comprise smart phones, electrical of goods, power plant inputs, fertilizer, auto components, finished steel products, capital goods like power plants, telecom equipments, iron, steel products, pharmaceuticals, chemicals, plastics and engineering goods etc. Over 14% of India's imports in 2019- 20 were from China . China is the third largest exports market for Indian goods as 2019-20. India's imports from China jumped 45 times since 2000 to reach over \$ 70 billion in 2018-19.

THE PERCENTAGE CHANGE IN FDI WITH CHINA CHINA FDI INTO INDIA

FDI is an investment in the form of controlling ownership in a business in one country by an entity based in another country. Chinese stake in Indian economy is growing through investments particularly in technology sector. Indian export to China has outpaced imports but trade imbalance is still huge. Almost every country of the world has deepened its engagement with China in recent years.



Figure: 4 Foreign Direct Investment (FDI ...iasexpress.net

Being a major emerging global power, India too has done the same. Chinese investments in a country come through direct, routed and through corporate penetration in technology and infrastructure sectors.

Foreign direct investments from China come to manufacturing industries, renewable energy (solar panels), electrical equipment, automotive and chemicals. China Global Investment Tracker showed Chinese FDI into India at \$4.74 billion in 2019. China's Commerce Ministry, however, puts the figure at \$8 billion for 2018-19. The following table shows that the China FDI in India.

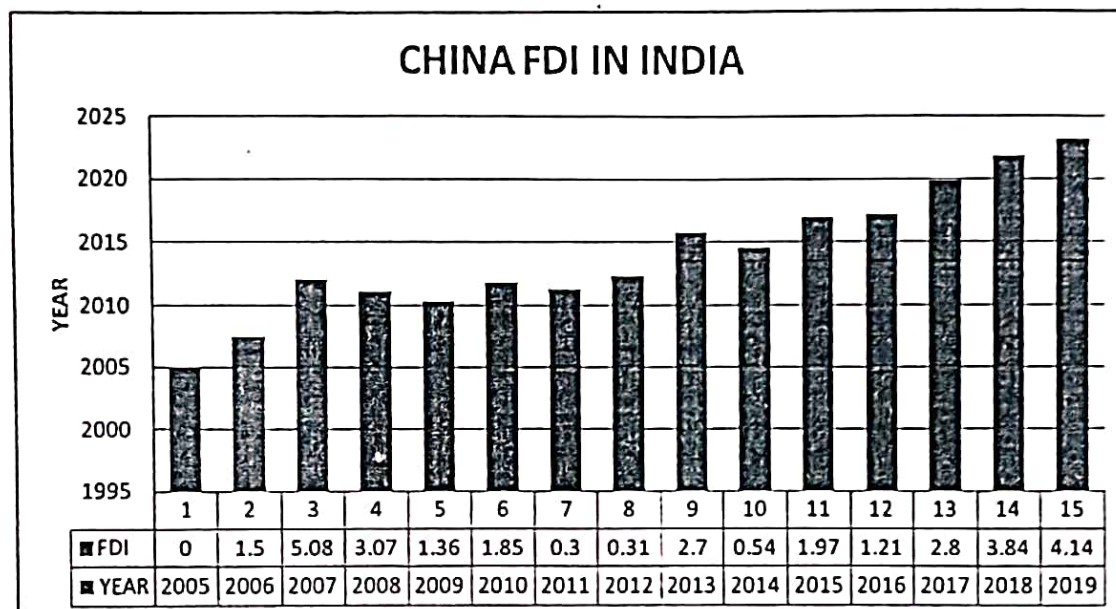
They have roughly 7 manufacturing facilities for smart phones, consumer appliances, construction equipment, power gear, automobile. Oppo, Vivo, Honor International, Haver, SAIC and Midea are some of the largest Chinese brands and manufacturers in India. Ashu Global Ltd., Dr. Shetye's Laboratories Ltd., Arsha Steel & Power Ltd., SEME Ltd, Bharat Heavy Electricals Ltd., Geary & Syce Manufacturing Co. and Aurobinda Pharma Ltd. are some of the Indian firms present in China.¹² The FDI however, doesn't present a complete picture of China's business reach in India.

TABLE : 3 CHINA FDI IN INDIA

S.NO.	YEARS	FDI
1.	2005	0
2.	2006	1.5
3.	2007	5.08
4.	2008	5.27
5.	2009	1.58
6.	2010	1.88
7.	2011	0.5
8.	2012	4.51
9.	2013	2.7
10.	2014	0.74
11.	2015	1.97
12.	2016	1.21
13.	2017	2.8
14.	2018	3.84
15.	2019	4.74

Source : www.bloombergequint.com

This table reveals the China FDI in India. This table also shows the China FDI for 15 years from 2005 to 2019. The China FDI has increased but the percentage change in the FDI has varied from year to year.



The value of the China FDI in India has been marked from 2005-2019 which shows year after year, the FDI of China in India has increased.

CONCLUSION

The first thing to understand is that turning a border dispute into a trade war is unlikely to solve the border dispute. This trade war will hurt India for more than China. Moreover such a shock banning of trade with China will be most poorly timed since, the Indian economy already at its weakest point even facing a sharp GDP. Tax effectiveness for instance, all inefficient

domestic industries would want to be protected by higher tariffs in the name of economic nationalization. But this protection will come at the cost of domestic consumers.

India must try to aggressively acquire a higher share of global trade by raising its competitiveness. India now has an insignificant share in world trade.

In November 2019, India refused to join the Regional Comprehensive Economic Partnership (RCEP) a Free Trade Agreement (FTA) in a region that is least affected by covid and most likely to increase the trade volume in the future. Vietnam signed FTA with European Union earlier this month. Indian exporters were already losing ground in the European Union to Vietnam will now be adversely affected since most Vietnamese goods will enjoy zero import duties in the European Union, thus making them more affordable for European consumers.

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