



**LAKEWATER**  
Nurturing Visions and Values



# COMPETE

## NOT BOYCOTT

*Pankaj Singhania*  
*Founder Lakewater Advisors*

## Necessity of trade relations among countries

According to economist David Ricardo, trade between countries is driven by comparative cost and not absolute cost. The simple explanation is comparative advantage allows a country to accrue benefits from trading. Exporting the products that has high absolute cost advantage and importing the ones that has less absolute cost advantage, is always beneficial. So, is the case between India and China.

We are living in a world where globalization and liberalization are trademark practices. This acts as an anchor, which helps to maintain healthy international relations among countries. India and China, the neighbouring nations, followed the practice of international trade too, in order to reap the benefits and share a strong history of trade relations.

### INDIA CHINA BILATERAL TRADE

(Figures in \$ Bn)

Year	India's Export to China	%Change	India's Import from China	%Change	Total Imbalance	Total Trade	%Change
2014	16.41	(3.72)	54.24	11.95	37.83	70.65	7.88
2015	13.39	(18.39)	58.26	7.42	44.87	71.65	1.42
2016	11.75	(12.29)	59.43	2.01	47.68	71.18	(0.67)
2017	16.34	39.11	68.10	14.59	51.76	84.44	18.63
2018	18.83	15.21	76.87	12.89	58.04	95.70	13.34
2019 Jan - Nov	16.32	(4.6)	68.00	(3.5)	51.68	84.32	(3.72)

Source: Embassy of India, China

## The Red Dragon Tale

Things have taken a rocky turn in the last few months. First the alleged involvement of China in the spread of COVID-19 pandemic and now the violent clashes between the Indian and Chinese armed forces in Ladakh, where 20 of our brave soldiers laid down their lives.

The whole country is riding high on emotions and resonating with PM's clarion call of becoming **'Atmanirbhar'** or Self-reliant. As impulsive and judgemental we Indians are, we have immediately started campaigns like **#BoycottChina**, **#NoChineseGoods**, **#StoptradewithChina**. Since, China's economy is export based, we believe that boycotting China will create a dent. This is a half-baked story, and requires long term vision.

Our Twitter feeds, Facebook walls are trending with thousands of tweets and messages about how patriotic we are by deciding not to buy any Chinese products! Most of our WhatsApp group should be named as **"Problem with China"**. Ironically, may be the laptop or smartphone used to type such messages is Made in China. The current josh lasts till next **#trending** topic comes along.



**LAKEWATER**

Nurturing Visions and Values

## Let us face the facts – *Not losing Hosh in Josh*

Can we boycott Chinese products? The simple answer is “**NO**”. Both India and China are signatories of World Trade Organisation. And the WTO rules mandates free trade regime. Hence, ‘Boycott trade with China’ is easier said than done. There are many reasons to this conjecture.

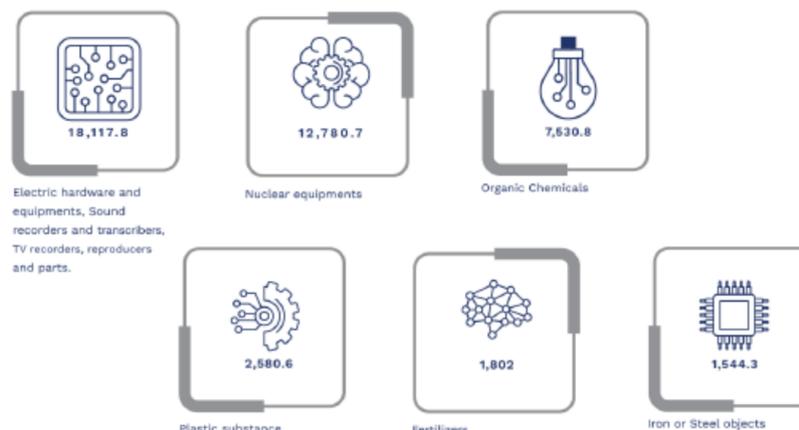
In the year 2019, **the imports of electrical machinery from China to India was ~34%**. Name any electronic product you are using right now or is there in the room your sitting from headphones, cameras, TV, transmission gears, smartphones- all come from China. Most of India’s electrical and electronic equipment import need was fulfilled by China in the year 2017-18. In fact, do a small experiment right now! Think of the popular mobile brands in India. Did - Xiaomi, Vivo, RealMe, Oppo names pop up? Well, these all from China, India’s bestselling phone brands.

This is just the beginning. Here is a list of essential items we import from China -

- Consumer durable goods
- Vehicles and Auto parts
- Solar Cells
- Pharmaceutical products (TB & Leprosy drugs)
- Anti-biotics
- Nuclear reactors (More information is available of the UN COMTRADE database on International trade)
- Fertiliser like diammonium phosphate; plant nutrient like urea

### TOP PRODUCTS IMPORTED FROM CHINA TO INDIA

-IN US \$ MN



Source: News18

### TOP PRODUCTS EXPORTED TO CHINA FROM INDIA

-IN US \$ MN



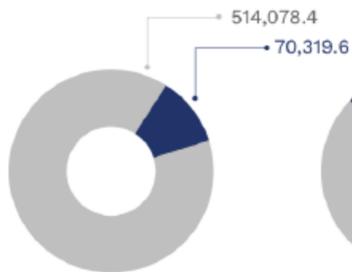
Source: News18



**LAKEWATER**  
Nurturing Visions and Values

## INDIA'S IMPORTS

TOTAL IMPORTS (US\$ MN)

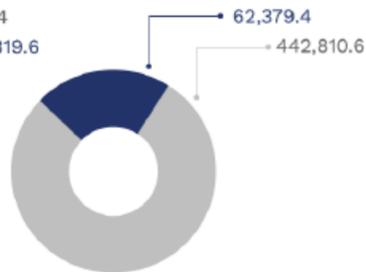


2018 - 2019

SHARE OF IMPORTS  
FROM CHINA

13.7%

IMPORTS FROM CHINA (US\$ MN)



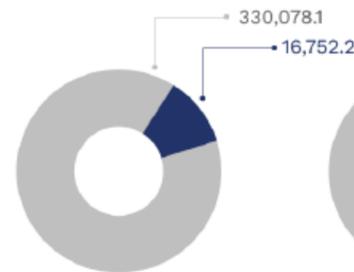
2019 - 2020\*

SHARE OF IMPORTS  
FROM CHINA

14.1%

## INDIA'S EXPORTS

TOTAL EXPORTS (US\$ MN)

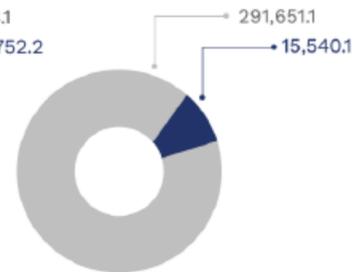


2018 - 2019

SHARE OF EXPORT  
TO CHINA

5.1%

EXPORTED TO CHINA (US\$ MN)



2019 - 2020\*

SHARE OF EXPORT  
TO CHINA

5.3%

\*April to Feb

Source: Embassy of India, China

Boycotting trade with China at this juncture without making ourselves capable in manufacturing will be an absolute disaster for the Indian Economy. India is the biggest importer of Chinese consumer goods. These data clearly suggest that China is the largest trading partner of India and the balance is heavily weighted in favour of China. Also, India has huge trade deficit with China.

China is always looking for new market for its products. **China's export to India is ~3% of its total exports**, so even if we are actually successful in boycotting trade relations with China, it will not create a big dent on the country's economy. China is focussing on other Asian markets, African and also European markets.

So, taking everything into consideration and keeping in mind India's limited manufacturing ability, will it be wise for India to engage in trade war with China right now?

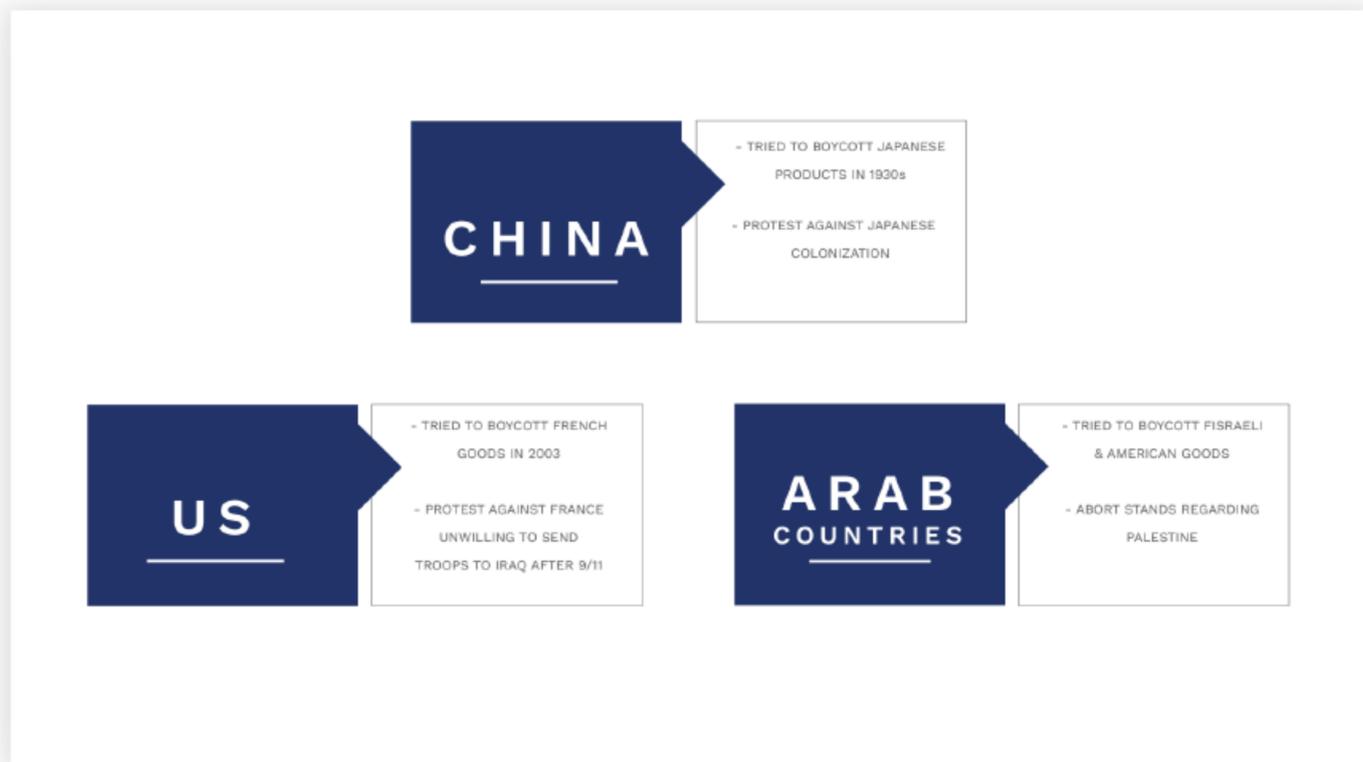


**LAKEWATER**

Nurturing Visions and Values

## Lessons from history

History that is documented will never allow us to forget anything. In the past many countries have tried to nullify trades relations with neighbouring countries but failed in most cases. China tried to boycott Japanese products, USA tried to boycott French goods, Arab countries have tried to boycott American and Israeli products but none were able to continue the boycott for a long time.



There are numerous cultural, ideological and political differences but the *'show (read trade) must go on'*.

Be it China-Japan, UAE-US or US-France, the bilateral economic relations between both the countries are strong and booming.

*" On average, over \$1 billion in commercial transactions, including sales of U.S. and French foreign affiliates, take place every day" – U.S. Department of State*

*" The United States and the UAE enjoy a robust trade and investment relationship, much of which now has little direct relationship to UAE oil exports. This is one of the fastest growing US economic partnerships, globally and in the Gulf region."- Embassy of UAE, Washington*

These examples clearly show that without strategy and preparation trade boycotts among countries have never been successful. Economy does not operate by the rules of emotions or isolation. It does not work according to the whims of people or popular opinion. Economics never gets affected by jingoism. Instead of focusing on boycotting, we should strategize on being **"Atmanirbhar"**.



## Let's check India's possibilities?

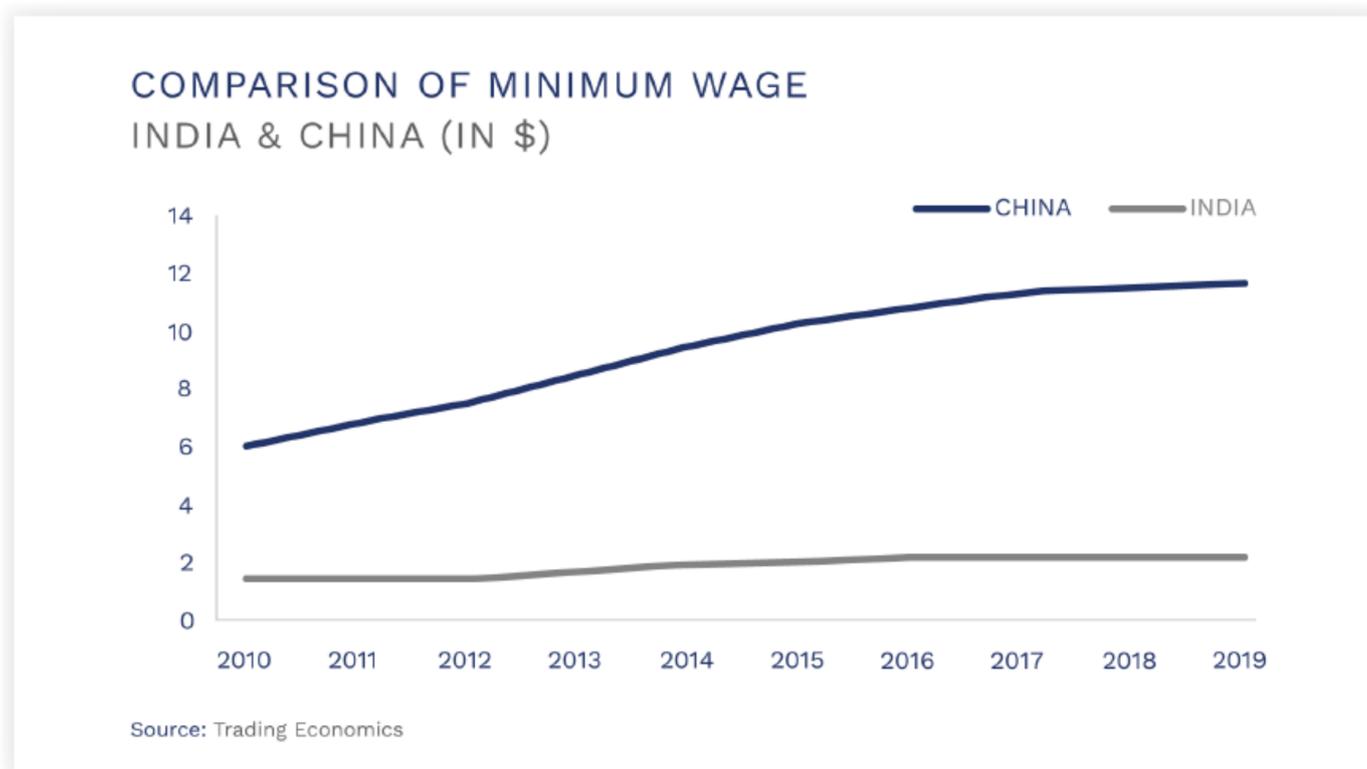
India has all the potential to become self-reliant. We must not forget that India got her independence by uniting the countrymen on the lines of 'Purna-swaraj', India is the country which was '**vocal for local**' even during the 1940s. Who can forget the '**swadeshi**' movement?

The strengths need to be channelized to bring a quantum jump. We need to develop a vision, make strategic plans and have unity, to boost our economy. The 21st century vibrant demography energy needs to be synergized. What can be done to bring the synergy?

### • **Fix Labour Issues**

Labour market deregulation is the need of the hour. With **~200 state and ~45 national laws**, it is difficult to operate. The government needs to ease the laws, so that manufacturers can run operations easily.

Minimum wage in India is quiet low, as compared to China. But China produces cheap goods. Why? Trade unions, collective bargaining, strikes are the common issues which Indian manufacturers face. Hence, legal reforms need to protect the labourers too, so that they aren't exploited. Manufacturing industries can only grow, with the support of labourers.



\*The graph above is approximate, due to conversions made

### • **Ease Bureaucracy and Taxation**

The economy environment should be enabler and not convoluted. India is a vibrant country, but due to bureaucracy, the working process is controlled. The Government should act as a service organization and not a power one. Flexibility and delay in MSMEs and manufacturing hubs can only be taken care if government eases the rules.



## ISSUES DUE TO BUREAUCRACY

- RED TAPE
- DELAY
- CORRUPTION
- PAPERWORK
- NEPOTISM
- COMPARTMENTALIZATION (COLLABORATION ISSUES)

### ● **Made in India**

*“Ask not what your country can do for you but what you can do for your country?” – Kennedy*

Why wait for Government to impose ban? They have their certain protocols to follow. Indian citizens can lend a great support. They can purchase goods **“Made in India”** Estimates say that 1/3rd of Chinese imports were earlier made by Indian. Why not focus on this and replace by Indian products first? This shall kick the MSME sector, which shall boost manufacturing segment.

Once, the citizens play their rational part, government shall be bound to make regulations that helps its countrymen.

## Conclusion

According to Commerce and Industry Minister Piyush Goyal, *“There are a number of sectors that have been identified in which India's competitive and comparative advantage over the other countries is seen. We have identified 12 sectors in which not only will India be ‘Aatmanirbhar’ (self-reliant) but can also lead the global supply chain”.*

When in 2018, India can become largest manufacturer of two wheelers in the world, it can lead in other sectors too. Let's not ponder on short term outlook, but focus on positive sentiments. The world is a village and interdependence is the key to survival. Market competition is an integral part of economics. Thus, boycott or shutting off is not the solution. Co-existence and smart decision making can only save the day!

***Let's have a vision to stop ethical corruption. Let's not settle for something undeserving. Let's think local. Let's unite and stop other country's dominance by growing self.***



## References

<https://www.imf.org/external/pubs/ft/fandd/2009/12/basics.htm>

<https://thewire.in/trade/china-goods-boycott-atmanirbhar-bharat>

<https://economictimes.indiatimes.com/industry/indl-goods/svs/india-may-not-be-able-to-completely-boycott-chinese-products/au-to-components/slideshow/76422127.cms>

<https://www.dnaindia.com/india/report-can-india-afford-to-boycott-chinese-products-here-s-what-data-from-key-sectors-reveal-2828497>

<https://www.outlookindia.com/magazine/story/india-news-opinion-india-has-been-trying-atmanirbharta-since-2014-why-hasnt-it-succeeded/303299>

<https://www.moneycontrol.com/news/photos/business/in-pics-india-china-trade-relation-a-look-at-trade-between-the-two-countries-5418501-2.html>

<https://www.thehindu.com/opinion/op-ed/how-india-can-become-self-reliant/article31681288.ece>

<https://www.financialexpress.com/economy/aatmanirbhar-bharat-twelve-sectors-in-which-india-can-become-self-reliant-global-supplier/1966773/>

<https://www.eoibeijing.gov.in/economic-and-trade-relation.php>

<http://www.worldstopexports.com/chinas-top-import-partners/>

