

**IMPACT OF ENCROACHMENT AT GALWAN VALLEY OF EASTERN LADAKH ON INDO-CHINA TRADE**

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**ABSTRACT**

Since 2008 the bilateral trade of approximate 327 products between India and China had run smoothly; many Indian Companies are doing business at China, similarly many Chinese companies are doing business in different sectors particularly pharmaceutical, automobile, telecom and other infrastructural areas. But encroachment of China in May, 2020 at the Galwan Valley of east Ladakh calls to boycott Chinese goods and companies have grown louder ever since. India has been working on policies to scrutinise and stymie influx of Chinese goods into the country. The government is also planning to impose licensing requirements for import of goods from 20 sectors.

**Keywords:** *Export, Import*

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**INTRODUCTION**

China is one of the major trading partners in bilateral trade with India since 2008.

Trade figures for the past few years are as under:

INDIA ( Figures in \$ Bn)		CHINA		BILATERAL			TRADE
Year	India's Export to China	%Change	India's Import from China	%Change	Trade 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	68.1	14.59	51.76	84.44	18.63
2018	18.83	15.21	76.87	12.89	58.04	95.7	13.34
2019 Jan-Nov	16.32	-4.6	68	-3.5	51.68	84.32	-3.72

(Source: General Administration of Customs, China)

**Composition of Trade**

Composition of major commodities of India's trade with China for year 2019 (Jan-Nov) is given below:

Indian Exports	Indian Import
Organic Chemicals;	Electric Machinery, Sound Equipment, Television
Ores, Slag and Ash;	Equipment and parts thereof;
Natural Pearls, Precious stones and Precious metals;	Nuclear Reactors, Boilers, Machinery and Mechanical
Cotton, Including Yarns and Woven Fabrics	Appliances and Parts;
Fabrics thereof;	Organic Chemicals;
Fish and Crustaceans, Molluscs and Other Aquatic	Plastics and articles thereof;

(Source: General Administration of Customs, China)

Many Indian banks like SBI, ICICI, AXIS are doing business in China and SBI have given permission to deal with local currency of China(RMB), Similarly many Chinese banks like Industrial and Commercial Bank of China(ICBC) , Bank of China (BoC) have done business in India.

### **Indian Companies in China**

Many Indian Companies like Dr. Reddy's Laboratories, Aurobindo Pharma, Matrix Pharma, NIIT, Bharat Forge, Infosys, TCS, APTECH, Wipro, Mahindra Satyam, Dr. Reddy's, Essel Packaging, Suzlon Energy, Reliance Industries, SUNDARAM Fasteners, Mahindra & Mahindra, TATA Sons, Binani Cements, etc.

are doing business in China either as representative offices or Wholly owned foreign company or joint venture with Chinese companies in the field of pharmaceuticals, refractories, laminated tubes, auto-components, wind energy, etc., IT and IT-enabled services including IT education, software solutions, and specific software products, trading, banking and allied activities.

### **Chinese Companies in India**

According to information available with the Embassy of India, more than 100 Chinese companies have established offices/operations in India such as Sinosteel, Shougang International, Baoshan Iron & Steel Ltd, Sany Heavy Industry Ltd, Chongqing Lifan Industry Ltd, China Dongfang International, Sino Hydro Corporation, Huawei Technologies, ZTE, TCL, Haier , Shanghai Electric, Harbin Electric, Dongfang Electric, Shenyang Electric etc. Are doing business in India in power sector, infra-structural sector, IT sector. In recent years, Chinese mobile companies have achieved remarkable growth in India. Xiaomi, became largest mobile handset selling company in India. Today, Chinese mobile handset companies Xiaomi, Vivo and Oppo, Realme occupy nearly 50% of Indian mobile handset market.

While border tensions first reported from eastern Ladakh in May 2020 still persist, it was on June 15 that a violent attack of Chinese Soldiers with Indian Soldiers resulted in the death of 20 Indian soldiers and an unknown number of troops on the Chinese side in the Galwan Valley. Calls to boycott Chinese goods and companies have grown louder ever since.

In response to the violence, the Government of India banned 59 Chinese apps, including TikTok. The Indian Railways is also cancelled a contract awarded to a Chinese company concerning signalling and telecommunication work on the Eastern Dedicated Freight Corridor's 417-km section between Kanpur and Mughalsarai, citing "poor progress". On 24 th July,2020, the Central Govt. also restricted Indian bidders for procurement of goods from china, before bidding they need approval from competent authorities on the grounds of defence and national security, policymakers asserted. India, however, exempted such countries to which it provides a line of credit or developmental assistance, thus effectively confining the restrictions to China and Pakistan. Relaxation has been provided in certain limited cases, including for the procurement of medical supplies for containment of the Covid-19 pandemic till December 31, 2020. It is noteworthy that amidst all these developments, Indian suppliers continue to import Chinese testing kits to this day.

China's imports from India have also gone up 6.7 per cent since January this year to \$11.09 billion. Consequently, total trade with India has registered a slightly lower 18.6 per cent drop since the beginning of 2020 to at \$43.47 billion. However, in July China's exports saw a slight jump to \$5.6 billion, up from \$4.79 billion in June, 2020.

Since the Galwan clash, India has been working on policies to scrutinise and stymie influx of Chinese goods into the country. The Directorate General of Foreign Trade (DGFT) announced restrictions on import of television sets late in July to encourage local manufacturing. India is also considering measures to prevent trade partners, mainly in Southeast Asia, from re-routing Chinese goods to India. This move will mainly target imports of base metals, electronic components for laptops and mobile phones, furniture, leather goods, toys, rubber, textiles, air conditioners and televisions, among other items.

Meanwhile, Chinese smart phones' share in Indian market fell to 72 per cent during the June quarter 2020 from 81 per cent in March quarter 2020. Xiaomi, a market leader in India, is working on a new version of MIUI that will omit its proprietary applications banned by the government.

The government is also planning to impose licensing requirements for import of goods from 20 sectors, including furniture, toys, sports goods, textiles, air conditioners, leather, footwear, agro-chemicals, CCTVs, ready-to-eat food, steel, aluminium, electric vehicles, auto components, TV set-top boxes, ethanol, copper and bio fuels, to boost local manufacturing of these items.

Reports have suggested that India is also looking to hike customs duty on imported active pharmaceutical ingredients (APIs) by 10-15 per cent. The Indian pharmaceutical industry depends heavily on imports from China, with 68 per cent APIs and more than 90 per cent antibiotics are imported from the China.

Documents now reveal that India was importing Chinese testing kits to meet its Covid-19 surveillance needs when the People's Liberation Army (PLA) was encroaching on Indian land at Galwan Valley of eastern Ladakh. While tenders for these Chinese testing kits were given much earlier of the violent encroachment at Galwan Valley by China, imports of the same continue valid till date as per the tender norms.

Indian traders have decided not to trade with China through Lipulekh pass in the year 2020 as a precaution against COVID-19.

## **Conclusion**

At the time of spread of bilateral trade between India and China such an attack of Chinese troops to Indian soldiers for encroaching Indian land are not at all desirable. These hindrance the economic as well as social relationship of the two Asian countries. Common men as well as traders will be adversely affected for showing muscle power of one country on another.

## **REFERENCE**

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