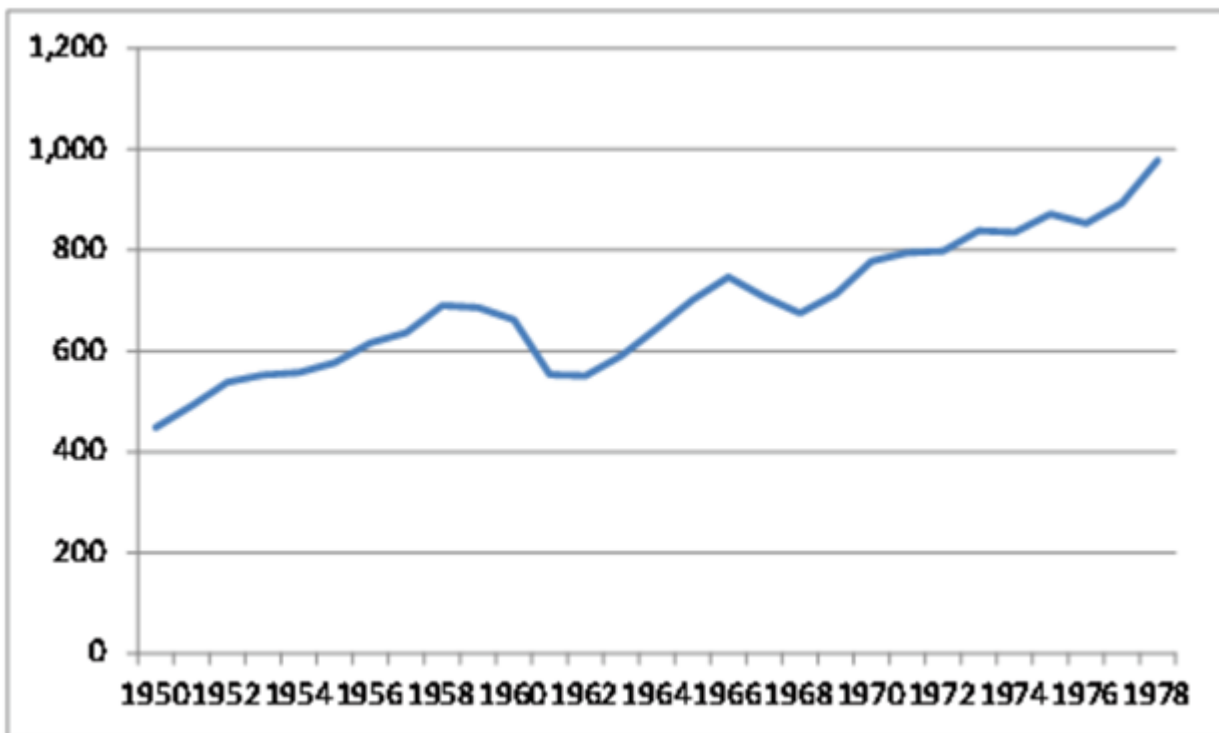


China is a country located in East Asia with a population of around 1.4 billion, making it the world's most populous country. It is the third-largest country in terms of area. China's landscape is vast and diverse. It emerged as one of the first civilisations in the fertile basin of the Yellow River.

China is a one-party state with power lying mainly in the hands of the Chinese Communist Party. Moreover, it is one of the five permanent members of the UN's Security Council and thus possesses tremendous power and reach.

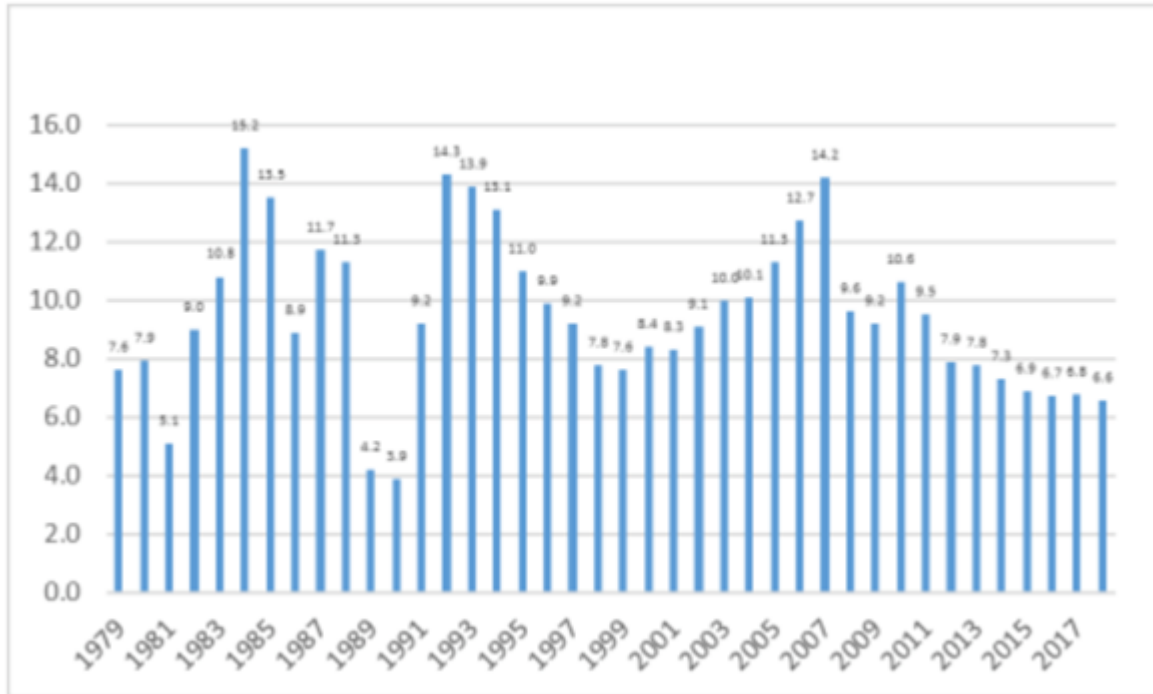
### History of China's Economy

The trade reforms introduced in 1978 have changed the economic position of the country on a gigantic level.



**Chinese Per Capita GDP: 1950-1978 (\$ billions, PPP basis)**

**Source:** Angus Maddison, Historical, Statistics of the World Economy: 1 A.D. -2008



**Chinese Annual Real GDP Growth: 1979-2018 (percentage change)**

**Source:** IMF, World Economic Outlook Database, April 2019

After the reforms were introduced, the country began to open and its economy has seen tremendous growth. GDP growth averaged over [10%](#) per year, making it one of the world's fastest-growing economies. Recently, however, due to several imbalances, comparatively low growth rate of institutional development and fast pacing economic development, there have been several reform gaps that have kept the GDP growth rate at [6%](#) per year and it has been decreasing continuously. The country has made Innovation its top priority while working on the strategy for the 2020-25 growth model catering to the current scenario.

### China's GDP growth shows clear deceleration trend



Sources: National Bureau of Statistics of China, Thomson Reuters. Quarterly GDP data as of 31/12/18. Monthly Purchasing Managers Index (PMI) data as of 31/1/19. The PMI is an indication of whether business conditions for a number of variables in the manufacturing sector have improved, deteriorated or stayed the same compared to the previous month. An index reading above 50 indicates an expansion, whereas a reading below 50 indicates a contraction.

## China's Strategic Advantage

China is an upper-middle-income country and a major supplier of raw materials to the rest of the world. It observes major investment from MNCs globally. Most of the products that we use in our daily life are labelled as either *made in China* or *assembled in China*.

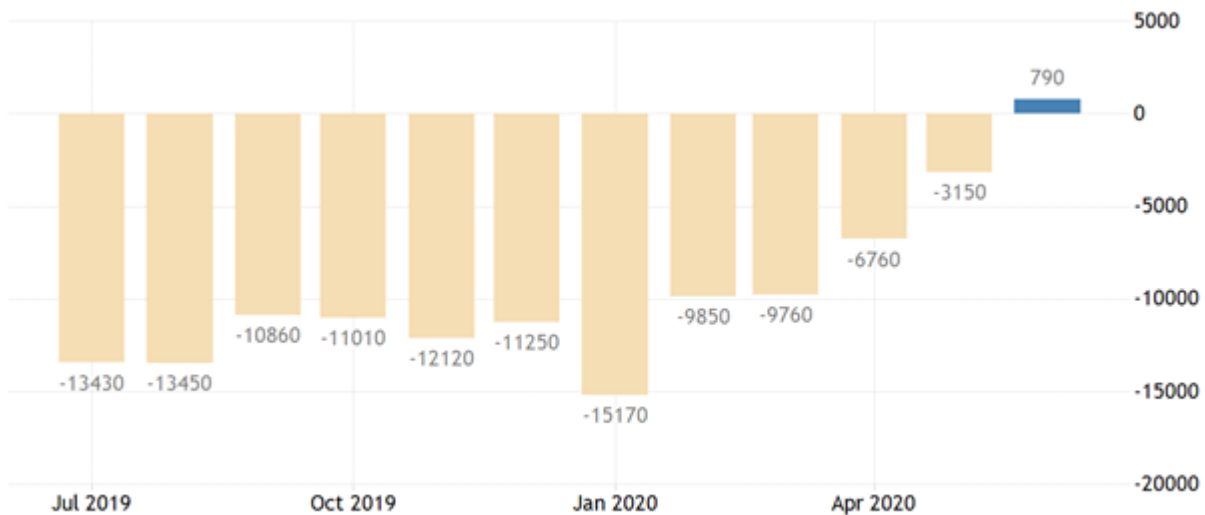
Apple iPhone, which is considered a revolutionary product, gets its product assembling done in China. Low labour costs were considered the main reason initially but there has been a shift in recent years. Since countries like India, Vietnam, etc. can provide even cheaper labour, hence the question arises, *what makes China different?*

The answer is the quality of labour and the type of skill provided. As said by [Tim Cook](#) "You find in China the intersection of craftsman kind of skill, and sophisticated robotics and the computer science world. That intersection, which is very rare to find anywhere, is very important to our business."

Thus, comparatively low labour costs, highly skilled labour, the ability to produce big consignment daily due to the strong labour force and a large home market make China an ideal country for product assembly.

**Trade Relations with India** Economic relations between [India and China](#) date back to ancient times with the *Silk Route* being the major trade route then. China is a major

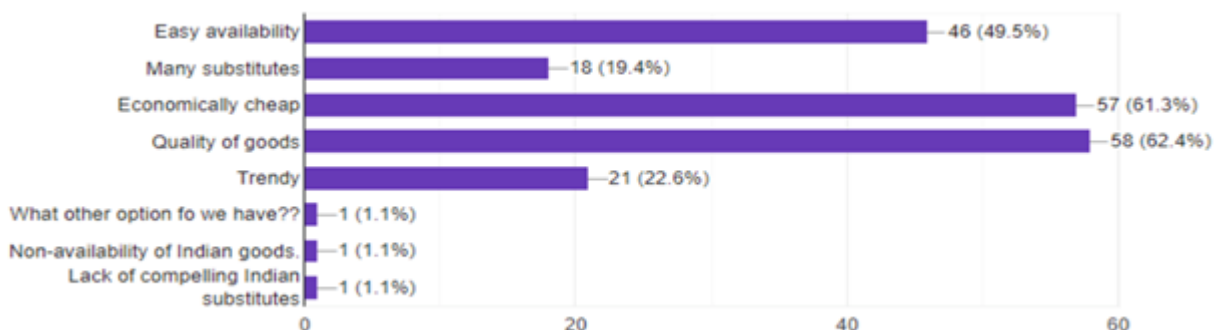
exporter of raw materials like pharmaceutical ingredients, steel, electronic devices, fertilisers for India, thus making India as China’s biggest trading partner after the US. India also runs a huge trade deficit with China.



**Source:** WWW.TRADINGECONOMICS.COM | Ministry of Commerce & Industry, India

The major inability of Indian companies to produce products at low rates arises because of a lack of research and development facilities, poor infrastructure and incompetent labour policies.

In a survey of about 90 people, it was asked: “What is the main reason that encourages you to buy foreign goods?”



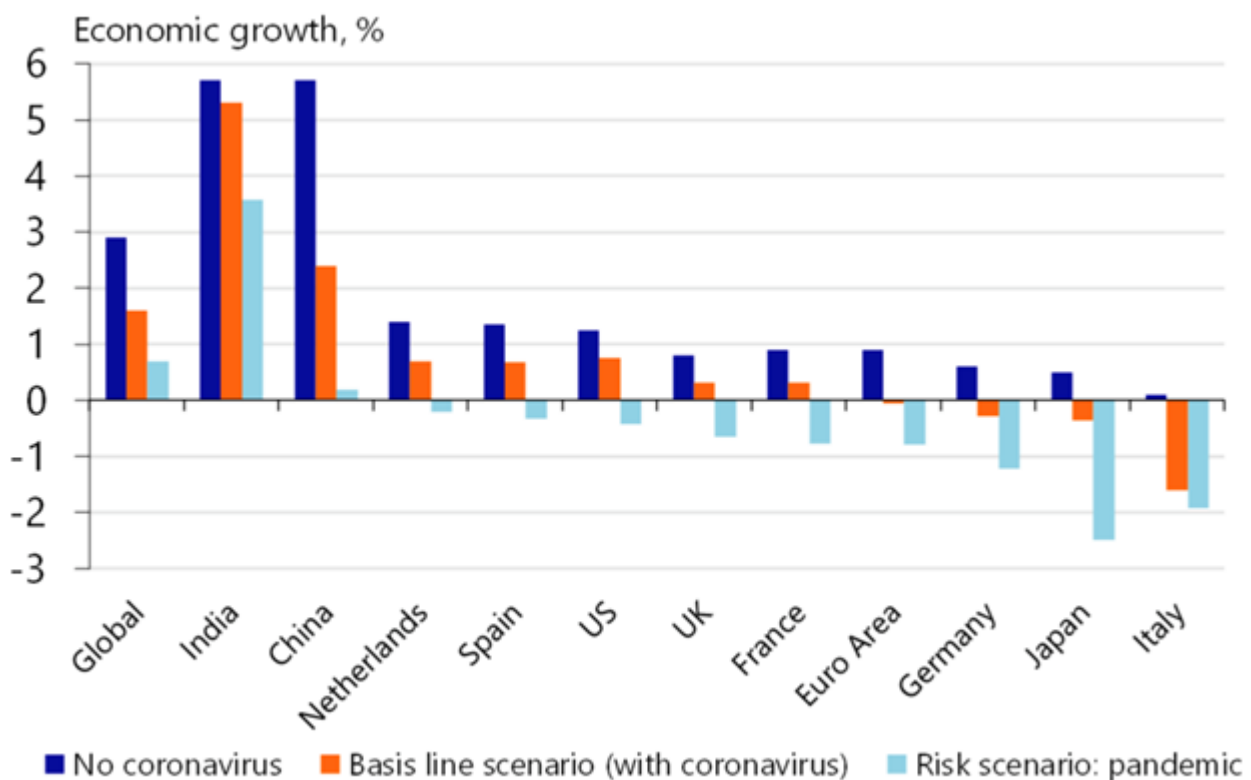
The following were the observations:

Due to this Chinese goods gain an edge and find a huge market in India. Moreover, the Indian population forms a large base for many Chinese apps. These do not mainly contribute to revenue but they help in boosting the reach of the product which is even more beneficial for the companies. However, with the recent clashes and increasing deficits, the Indian government has [banned](#) several Chinese applications and has been constantly focusing on promoting the 'Made in India' campaign.

### Impact of the Current Situation

With the advent of the current pandemic, almost all economies have come to a standstill. While some of the countries have been able to deal with the situation efficiently and have already observed the peaks, others like the US and India are the worst struck and their economies have faced a major shock.

China has been accused of hiding information about the virus which eventually led to the pandemic. Markets crashed and the price of crude barrels fell to such an extent that they became negative for the first time in history. Many people have been laid off from their jobs, causing them to fall into debt traps.



## Global Economic impact of COVID-19

Source: Rabobank, Macrobond

However, the current border tensions with China have induced an even greater hatred among Indian citizens towards Chinese goods and services. Many [Chinese contracts](#) and tenders have been reworked and the suppliers have been changed. These have vastly affected China's economy.

Nevertheless, the economic interdependence of the two nations is way too important to be ignored. An all-out boycotting of Chinese goods would force people to buy expensive goods in this period of recession. This would just worsen the situation and the governments would have to further moderate the policies to accommodate the situation.

## Conclusion

It can be rightly said that the expansionist and influential regime of the Chinese government is at an all-time high. China might be taking this course of action to drive the attention of the world away from COVID allegations by having disputes with other nations. However, with this course of action, it is losing a huge consumer base in India. Though low priced quality goods might still prevail in the markets as Indians don't have good homemade alternatives.



Image source: AP

India and China have been embroiled in border disputes since 1962 after the Indo-China talks failed. China has always been intruding in the territorial sovereignty of India, this has been very common but the international community never held China liable because of its veto in UN and structural hegemony in international markets but the advent of COVID-19 has led to an international bias against China. The factual matrix has created a situation in which China might be held liable for the very first time for violating the ceasefire agreement on LAC as it has lost support in the international arena and the CCP is facing extreme criticisms for its violations and misuse of authority.

The first step towards the long term process of improving the efficiency of production in India should be taken immediately. Trade shouldn't be stopped but the trade deficit needs to be brought to a balance to prevent other nations from exerting dominance in the future.

China needs to take into account the possible isolation by other countries in the long run which might bring down the already decreasing GDP growth and the scenario before 1978 might come into the picture again. China should acknowledge the need of the hour and help its subordinate countries with the current pandemic, help in building their economies to ensure healthy trade relations, the welfare of mankind and stability. History is evident, wars cease to create any good, rather are a great way to destroy the global economy, loss of life and property and leave the world in a state of regret and despair.

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