

HINDI-CHINI BUY BUY

Can we even dream of saying bye-bye to China's economy?

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USHMA SWARAJ SAID IT SIMPLY in parliament in early August when she ruled out war with China over the Doklam plateau: "China has contributed to our growing economic strength. For them, there's a lot at stake... here. They have been awarded many contracts."

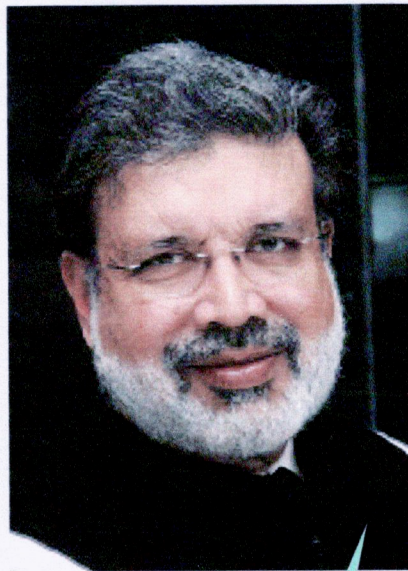
That's putting it mildly. Chinese companies have a dominant position in electricity generation and supply in 18 Indian cities. Whether it is Oppo handphones

or Paytm e-wallets (Alibaba) or e-tailer Flipkart (Tencent), or Chinese investments in 'Make in India' manufacturers (foreign direct investment totalling \$1.54 billion 2014 to 2016), or the \$1.3 billion takeover bid for Gland Pharma by Shanghai Fosun, Chinese businesses are greedily eyeing India's huge market, nearly as big as their own. And they are only just starting to rev up.

The Narendra Modi government, worried about malware and cyber-attacks that could cripple power and communications (remember the telecoms equipment maker Huawei and the data-protection hackles it raised both in the United States and India?), is moving to ring-fence Chinese companies, asking probing questions about security and requiring local units to hire Indians in senior management roles. That hasn't prevented Huawei from expanding here – it plans to double market share soon.

Overall, Chinese makers accounted for 51.4 per cent of India's smartphone market in the first quarter of 2017 – a 142 per cent year-on-year growth.

It is not going to be easy to disentangle the two economies. Here are some figures to illustrate how dependent we have become on Chinese goods: India's imports from China totalled \$1.5 billion in 2000-01, or just half of imports from the United States. By 2016-17 imports from China had ballooned to \$61.29 billion, while imports from the US had grown far more slowly to \$22.34 billion. India's exports to China, on the other hand, have struggled up to \$10.2 billion in 2016-17 from \$831 million in 2000-01. In contrast, India's exports to the US have jumped to \$42.3 billion in 2016-17 from \$9.3 billion in 2000-01.



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Put differently, India ran a trade deficit with China of over \$51 billion in 2016-17 (nearly half of our *global* trade deficit of \$108 billion), and a trade surplus of about \$20 billion with the United States.

We import every conceivable item from China. The list is long and numbing. Department of Commerce data show that the biggest items we bought from China in 2016-17 were organic chemicals (\$5.6 billion), fertilisers (\$1.25 billion), plastic items (\$1.85 billion), and iron and steel, raw material as well as finished products (\$2.58 billion).

Then there are the really big-ticket items: nuclear reactors, boilers, machinery, etc. (which rose to \$11.12 billion in 2016-17 from \$10.55 billion in 2015-16) and electrical machinery and electronic goods (\$21.98 billion).

Small Indian manufacturers I spoke with complained that Chinese products were sub-standard and came with built-in rapid obsolescence. But they were at least a quarter of Indian prices. "Even when a buyer wants to buy Indian, he uses Chinese prices to negotiate us down to a level where our profit margins are paper-thin," one manufacturer grumbled. Fortunately, Indians give the Chinese a run for their money on precision-engineering products, automobile parts like gears, and ball-bearings. China is good at mass manufacturing, but Japan still holds sway in measuring instruments and micro-electronics. But are we ever going to graduate from *Hindi-Chini buy buy*? **BW**

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