

Research and Analysis on the Trade Structure of China and India under the Background of the New Crown Epidemic

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Abstract

China and India are both developing countries, and there is trade cooperation in many fields. Due to the continued impact of the NEW CROWN epidemic in 2020, China has replaced the United States as India's largest trading partner, and due to India's dependence on Chinese products, it has directly contributed to the continuous expansion of the Trade Surplus between China and India, and the Sino-Indian trade relationship still has strong resilience. With the intensification of the second wave of COVID-19 in India in 2021, the trade potential between China and India is huge, and this project will analyze the current situation of China-India trade under the COVID-19 epidemic, the trade structure of both sides in the process of Sino-Indian trade, and explore the development potential of China-India trade complementarity.

Keywords

COVID-19; Trade Imbalance; Trade Structure Complementary; Win-win Strategy.

1. Literature Review

China and India belong to the two major economic developments in Asia, and economic comparisons can often be reflected in the import and export trade structure. China has a competitive advantage in labor-intensive light industrial products and machinery and transportation equipment, while India has a competitive advantage in agricultural products, mineral resource products, pharmaceutical and chemical products, light industrial products and other products, and the trade complementarity between China and India is greater than competitiveness. [1]

Through the analysis of the comparative advantages of China and India, it is found that India occupies a comparative advantage in service trade, and the current domestic research finds that the total amount and growth rate of India's service trade are not as good as , but from the perspective of sub-industry competitiveness indicators, China's service trade competitiveness is at a disadvantage relative to India.[2]Compared with India, China is a big country in service trade, but it is not a strong country, India's service trade has obvious advantages over China. , be seen from quantitative analysis that in terms of the overall competitiveness of trade in services, both the RCA and TC indexes show that China's competitiveness in trade in services is very weak, significantly lower than that of India, and in the comparison of the competitiveness of subsectors of ,, compared with India China has a stable and clear advantage only in labor-intensive tourism, while at a disadvantage in almost all other projects, especially in the field of high value-added trade in services such as computer and information services, insurance, and other commercial services. [3]

The impact of the COVID-19 pandemic will promote the development of the digital economy and digital trade between China and India. Although the epidemic has had an impact on traditional production and offline operations, the rise of intelligent manufacturing, the rise of industrial Internet of Things and the development of online consumption have made the development potential of the digital economy in China and India huge. As of March 2020, there

were 904 million Internet users in China and nearly 688 million internet users in India. The huge market size of China and India makes it possible for China and India to carry out digital trade, mainly in : China has the innovation of business models and service formats, experience in integration with traditional industries, hardware equipment manufacturing capabilities, enthusiasm for digital enterprise investment, India's strong basic theory, mature software technology industry, rich IT talents and low labor costs, and the cooperation between the two sides has strong complementarity [4]

In summary, from the trade in services, it is found that the current trade between India and China India has certain advantages, while China has certain advantages in hardware, the previous trade between the two countries is more complementary, and China and India in 2020 under the background of the epidemic, Chinese goods account for 14% of India's total import trade As the impact of the epidemic on India deepened and China's economic influence on India grew, the Indian government began to re-examine its trade relationship with China. The trade issue between China and India is of great significance to resolving the contradictions between China and India countries, especially under the new crown epidemic, China has replaced the United States as India's largest trading country, Sino-Indian trade has a unique research significance, how to solve the Sino-Indian trade imbalance will have important reference significance for deepening Sino-Indian cooperation, improving the quality of China's trade cooperation with Southeast Asia and other countries, and promoting the implementation of the "Belt and Road" economic strategy. This paper will conduct research and analysis from the aspects of enhancing trade complementarity and improving the stability of China-India trade structure.

2. The Current Situation and Analysis of China-India Trade Relations under the Background of the New Crown Epidemic

2.1. Comparison of the Development of the New Crown Epidemic in China and India

As of March 27, 2022, the data shows that there are 285914 new confirmed cases of COVID-19 in India, with a cumulative total of 40085116 confirmed cases, and 665 new deaths, with 491127 cumulative deaths. There were 1,217 new confirmed cases of COVID-19 in China, with a cumulative total of 450182 confirmed cases, and 139 new deaths, with a cumulative death rate of 12,743.

From the above data, it can be seen that the development of the epidemic in India is more severe than that in China. According to current international data, India has so far triggered three epidemic climaxes, the most serious period of which was in May 2020, with a continuous daily increase of 300,000 confirmed cases, and the cumulative number of confirmed cases and deaths was second only to the United States, which was the most serious epidemic at that time;

Due to the implementation of strong epidemic prevention and control measures in China, all workers, soldiers, farmers, and scholars have adhered to the principle of fighting the epidemic and implemented a transitional period of suspension of work and production, making China the fastest country to control the epidemic despite the outbreak of the epidemic.

2.2. Comparison of Bilateral Trade in Goods and Trade in Services between China and India

Trade between China and India can achieve a win-win situation, but due to the groundless slander and deliberate exclusion of China by some countries in the international community, India has resisted contact with China, especially at the beginning of the outbreak of the new crown epidemic in 2020, India took measures to "watch the fire from the other side" against China, but because China was fighting the epidemic at that time, most enterprises have taken

work stoppages Due to a large number of factory shutdowns, the Indian economy has also been hit hard, the epidemic has led to India's imports of electronic consumer products, machinery and some industrial parts and components from China have been seriously affected, its domestic related industries are almost unsustainable, in addition, India's exports to China have also been directly impacted, and the reduction of export volume has caused saturation of products in the Indian market and waste of resources. It can be seen that the COVID-19 pandemic reflects India's deep dependence on China's economy and its economic fragility.

For China and India, two neighboring powers, politically sensitive issues are inevitably affecting economic cooperation, although China has always maintained a more flexible and pragmatic attitude, but India has always had a "Cold War mentality" and "China threat theory" thinking, which has objectively created a major obstacle to trade exchanges between China and India. The Indian government had hoped to use this opportunity to encourage the development of its own industries, or seek other supply channels, and tried to force the transfer of industries from some countries, including China, to India through policies such as tariffs, but found it difficult to achieve. Under the influence of the epidemic, the global oil price fell, which was slightly favorable to the Indian economy; but at the same time, the epidemic also caused the Indian stock market to fall, the rupee to depreciate, foreign capital to flee, and the automotive industry, agriculture and pesticide production industries, and transportation industries were hit hard. India's high-quality talents mainly flow to developed countries in Europe and the United States, while Indian local capital prefers to invest in the international market, which leads to the problem that India's trade with China is dominated by alternative primary products, in order to curb the intensification of trade imbalances, India has even launched a number of trade investigations against China, such as such unconstructive trade protectionist measures. India's economy's heavy dependence on China has made India's center-right strictly dissatisfied, demanding that the Indian government take measures to get rid of its dependence on the Chinese economy.

In particular, on June 17, 2020, the Ministry of Telecommunications of India issued a directive requiring all enterprises and institutions under its jurisdiction to purchase only "Made in India" products, and should try to use Indian domestic equipment when upgrading infrastructure and equipment; according to the data released by the Ministry of Commerce of China, it was found that the total trade between China and India in 2019 was 639.5 billion yuan. Among them, China's exports to India are 515.6 billion yuan, ranking 12th among China's exporters, and India's exports to China are 124 billion yuan, ranking first among India's exporters.

Table 1. Bilateral trade between China and India in 2015-2021

year	Total import and export trade	growth rate(%)	Exports	growth rate(%)	Imports	growth rate(%)	difference
2015	715.97	1.45	582.28	7.4	133.69	-18.28	448.59
2016	701.62	-2	583.98	0.29	117.64	-12.01	466.34
2017	843.87	20.27	680.42	16.51	163.45	38.94	108.32
2018	902.70	6.50	737.40	2.30	165.30	30.20	572.1
2019	854.90	-5.30	683.70	-7.30	171.30	3.90	512.4
2020	875.85	2.5	667.27	-2.4	208.58	21.76	458.69
2021	1256.64	30.30	975.21	46.65	281.43	34.93	693.78

Source: Ministry of Commerce, China

Judging from the development trajectory of China-India trade, the trade volume between China and India is generally growing, the degree of trade integration is constantly improving, and China and India are increasingly becoming each other's important trading partners. Sino-Indian bilateral trade is mainly based on inter-industry trade complementarity, and the proportion of intra-industry trade is relatively small, but whether it is inter-industry trade or intra-industry trade, China occupies a certain advantage, and China's growing trade surplus year by year has also triggered India's trade protectionism. From the perspective of the scope of the world market, the similarity of the structure of Sino-Indian export products is relatively high, and the competition is fierce, especially in the United States and Germany, the similarity of the structure of Sino-Indian export products is higher than that of other countries.[7]

3. The Development Potential of Trade Complementarity between China and India in the Post-epidemic Era, and the Feasibility of Countermeasures in Sino-Indian Trade Relations from the Perspective of Trade Complementarity

China's service industry is not open enough, and some service industries are still in a state monopoly state, so the service industry lacks competitive pressure while developing, and lacks motivation in the diversification of service goods and to meet consumer needs. India's international software market tends to choose it as the main market for software outsourcing due to the low domestic labor wage costs, which further stimulates the growth of its market demand. [5]

China and India are both developing countries, and there is trade cooperation in many fields, and as the two new economies at present, the bilateral trade in goods between China and India will reach 876 in 2020. At the same time, due to the continuous impact of the new crown epidemic, China has replaced the United States as India's largest trading partner, and India's heavy dependence on China's heavy machinery, home appliances and telecommunications equipment has directly contributed to the continuous expansion of the Sino-Indian trade deficit, forming a certain degree of trade imbalance, resulting in India having publicly boycotted Chinese goods for a period of time and holding a negative attitude towards China-India trade. Affected by the epidemic, the total trade volume between India and overseas countries other than China has dropped sharply, and in order to promote the development of domestic manufacturing and reduce its dependence on imported products, India has frequently set up various barriers for Chinese products and investment, resulting in a sharp rise in the risk of China's export trade and investment to India.

In 2021, with the intensification of the second wave of the new crown epidemic in India, although there are political and military frictions between China and India, under the premise that China continues to promote the development of the "Belt and Road" and maintain assistance to India, India has re-examined the trade cooperation between the two countries, China-India trade relations have strong resilience, and there is still great potential for Sino-Indian trade potential.

China's manufacturing industry has a fairly high competitiveness in the world, the Indian service industry and software industry occupy a certain advantage, and the structure of the domestic industry in China and India is very different. The prospects for economic cooperation are highly complementary. <China and India should "make use of their complementary advantages to further strengthen economic and trade cooperation, and on the premise of maintaining the stable development of bilateral trade in goods, /b20>Expand the scale of trade in services and create a good environment for mutual investment, so that the economic and trade of the two countries can achieve mutual benefit and win-win results on the whole <, tselfAnd not just focus on the trade of goods itself" Therefore, in Sino-Indian trade, /b20>India's

exports to China should not be limited to raw materials. Instead, exports of products from China's service industry should be expanded, and while China provides India with high-quality manufactured goods, it must also actively participate in the construction of India's infrastructure. Only when China and India complement each other's advantages can they achieve trade balance.[6]

At present, in the context of the new crown epidemic in China and India, China has basically reached complete control over the impact of the new crown epidemic, but India has begun to relax its control of the epidemic since the new crown infection rate dropped to 30% after 2020, resulting in India in 2021. There was a sharp increase at the beginning of the month, and the number of COVID-19 deaths continued to surge. However, the economy and trade between the two countries still show a relatively close situation to a large extent. Sino-Indian trade is more far-reaching than other trade relations, but because of the economic independence side, Chinese products in India still exist in the Indian market with strong competitiveness, although India has promulgated an economic policy of "Sino-Indian economic decoupling" for China, trying to replace "Made in China" with "Made in India", but in fact, according to data from the Indian Ministry of Commerce, India's current trade deficit with China is close to \$40 billion and relies heavily on Chinese-made heavy machinery, electrical products, telecommunications equipment and household appliances; while India's exports are still dominated by raw materials as primary products, and its export competitiveness is far less than that of China. Against this backdrop, the Indian government began to re-examine its past policies, India as the world's largest labor exporter after China, the annual overseas labor export monthly 1700 Tens of thousands of people, a considerable part of which labor services flow into China, under the goal of China's current continuous realization of industrial upgrading, China will reduce investment in labor-intensive industries and increase investment in high-tech industries, India as a developing country with a population second only to China, rich in labor resources, has important strategic significance for China to achieve industrial transfer. In addition, in terms of technology software services, Bangalore in India is an important center point for high-tech enterprises today, and 30 of the world's 75 top software companies are settled in Bangalore, so in the trade between China and India, China highlights IT with India Industry trade. It can be seen from the comparative advantages in Sino-Indian trade that India's microeconomic competitiveness is stronger than China's, and China's macroeconomic competitiveness is stronger than India's, although under the impact of the new crown epidemic, India's economy has shown a weak trend, but the import and export trade of China-India trade still has a large room for development.

4. Summary

China and India's economic development has its own uniqueness, as far as India is concerned, its economy mainly depends on the development of the service industry, taking the service industry as the development orientation, giving full play to its own highly educated talents, information technology expertise and the advantages of English as a communication language; and for China, China's economic take-off relies on the development of manufacturing industry, the implementation of reform and opening up economic measures, actively introduce foreign investment, the development of labor-intensive industries, so that China becomes the "world's factory", In the volume of foreign trade, the economic growth has increased significantly; but under the new crown epidemic, China-India trade presents an overall trade imbalance, the basic situation of local trade imbalance, although China has an advantage in trade with India, it still needs to adjust the industrial structure, and the independent research and development of information is not as good as India; although India has a dominant information service industry, India's overall infrastructure cannot promote the further development of the economy, due to

the existence of strong religious and racial beliefs, resulting in the overall comprehensive quality of Indian citizens lagging behind China. Therefore, India should strengthen infrastructure construction, popularize national education, and improve India's overall comprehensive quality. As a result of the COVID-19 pandemic, India's infrastructure shortcomings are becoming increasingly exposed, especially in rural areas of India, where health security is of greater concern. Backward infrastructure has also brought many inconveniences to the Sino-Indian trade, China's exports to India often have to be transported to Singapore and other neighboring Southeast Asian ports for exchange, although China and India are close neighbors, and thousands of kilometers of border connection, but for some reasons there has been no road and rail connection as a basic transportation facility on land, making transportation between the two sides extremely inconvenient. In addition to the intermittent trade of a small number of border trade through several narrow mountain passes and the trade of a small number of light goods through air transport, most of the trade commodities exported by India to China (including tens of millions of tons of iron ore) can only be transported to India's seaport through thousands of kilometers in India, and then through the Indian Ocean, bypassing the Strait of Malacca, through the South China Sea, through tens of thousands of kilometers of maritime transportation, before they can be transported to China. Additional costs are introduced for transportation in China. China can use the more advanced manufacturing industry to cooperate with India to improve infrastructure and promote the in-depth development of trade between China and India.

From this, it can be seen that the trade relations between China and India can on the one hand break the ice with the help of the development of the information industry, from an objective point of view, China has advantages in manufacturing hardware, while India has more outstanding achievements in software, if the two can be combined, the two countries can better play their comparative advantages to achieve a win-win situation;

On the other hand, in order to solve the huge trade balance between China and India, it is necessary to clarify a series of problems such as the relatively single trade varieties between China and India, the high degree of asymmetry in trade relations, and the fragility of bilateral complementary trade.

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