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Impact of India-China Conflict on Economy

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China and India never had a perfect relationship. The border dispute is a factor, and it has widened the gap between the two superpowers. The pandemic's collateral impact was caused by retaliatory actions taken by both nations. We make an effort to clarify the impact of India-China on the economy in this paper. Common justifications for a boycott of Chinese goods come in the form of complaints about their purportedly subpar quality, human rights violations, territorial disputes with China, support for separatist movements there, and opposition to more specific Chinese-related issues like the government's handling of the COVID-19 pandemic. Without a question, India is taking action to protect its independence and internal integrity. However, there is still a high level of reliance on Chinese products in several crucial and key areas in India. To protect domestic producers from low-cost imports from the neighbouring nation, India has slapped anti-dumping duties on five Chinese products for a period of five years. The import of goods by the Indian government and the outright ban of certain Chinese apps had a devastating impact on the Chinese economy and became independent from PM Modi's "Atma Nirbhar Bharat" scheme. Even after the coronavirus, we had no plans to boycott China; yet, the way they were operating required us to give them a lesson. The moment is now to learn how to rely on oneself. The paper critically analyses the India-China conflict and how it all started. The authors have also discussed the impact of the ban on Chinese apps and goods on the economy. The paper concludes with the significance of data privacy and development in domestic industries due to government initiatives in India.

Keywords: conflict, banning, goods, anti-dumping, India, china, data privacy.

INTRODUCTION

The article comprises India - China's conflicting relations and China's response after the banning of goods and apps in India. The Indian government on June 29 banned 59 apps of Chinese origin, concerning data security and national sovereignty concerns, in response to the confrontation with Chinese forces on the India - China border in Ladakh and a territorial fight on June 15, 2020, that claimed the lives of 20 brave Indian soldiers.¹ Popular apps like TikTok, SHAREIT, UC Browser, CamScanner, Weibo, WeChat, and Club Factory are among them.² In a press release statement, the Ministry of Electronics and Information Technology claimed that it had been informed of “many complaints from various sources. There have been several reports about the misuse of some mobile applications available on Android and iOS platforms for stealing and covertly transmitting users' data to servers with locations outside India. “The government's decision to prohibit the applications is evidence that India will not remain silent if another country disrespects India and will respond appropriately if necessary. This has given the public hope for the future. It is a form of retaliation by the Indian government against the Chinese government for the Chinese government's improper treatment of the data of Indian users and their unwarranted actions in the border region to cause problems. All such initiative has hindered china's economy as well. The impact on the economy of both the countries and the consequences it had to face contains positive and negative aspects altogether.

INDIA-CHINA CONFLICT: HOW IT ALL STARTED

In the year 1949, there used to be a policy imparting maintenance of cordial relations with China. It was the aftermath of the independence of India and the emergence of the formation of the People's Republic of China as well. India was not happy with the announcement made by China regarding occupying Tibet and requested negotiations. India used to support China during the times when the whole world was isolating China from many conferences and events. In 1954,

¹ Yuthika Bhargava, 'Government bans 59 apps including China-based TikTok, WeChat' (*The Hindu*, 29 June 2020) <<https://www.thehindu.com/news/national/govt-bans-59-apps-including-tiktok-wechat/article31947445.ece>> accessed 15 August 2022

² Rajesh Kumar, 'List of Chinese Apps Banned in India 2022' (*Sarkari List*, 14 February 2022) <<https://sarkarilist.in/banned-chinese-apps/>> accessed 15 August 2022

China and India proposed the very 5 principles for peaceful existence through which India acknowledged Tibet as ruled by China.³ The foremost reason for the emergence of India China war was China's perception of India as China was considering its ruling of Tibet as a threat.⁴

In 1959, India declared that it doesn't want war nor it is ready for it when tensions were released between the armies of both countries at Kongka Pass. The main cause of war arises due to the Himalayan border where China claimed that the Aksai Chin area in Ladakh, Kashmir and Tawang area in Arunachal Pradesh are their own. In 1960, Zhou Enlai proposed negotiation and proposed if India drop its claim over Aksai Chin, then China would not claim Arunachal Pradesh as its own.⁵ But Jawahar Lal Nehru rejected this proposal over the context that India holds rights over both areas.⁶ Then the Forward Policy was introduced through which India started sending troops for patrols on border areas which created conflicts among both countries. And as the result, China attacked India and a Major war was held which led to the deaths of more than 3000 Indian soldiers⁷. Although,⁸ India was defeated still India holds a kind side as it helped the refugees of the opponent's side as well.⁹

In 2020,¹⁰ the past was recalled as the tensions between both the countries were very high due to the clash in Galwan Valley in Ladakh along the Line of Actual Control as which deteriorated everything and caused casualties from both sides.¹¹ After 1962, the first time the shots were fired

³ Gerry van Tonder, *Sino-Indian War: Border Clash: October–November 1962* (Pen & Sword 2018)

⁴ *Ibid*

⁵ Mohan Guruswamy, 'China's outrageous offer to India for settling the border dispute: Give us all the territory' (*Quartz India*, 21 March 2017) <<https://qz.com/india/934720/chinas-outrageous-offer-to-india-for-settling-the-border-dispute-give-us-all-the-territory/>> accessed 14 August 2022

⁶ *Ibid*

⁷ Yudhajit Shankar Das, 'When Indian & Chinese soldiers fought and died' (*Times of India*, 21 September 2022) <<https://timesofindia.indiatimes.com/india/when-indian-chinese-soldiers-fought-and-died-on-the-same-side/articleshow/77866558.cms>> accessed 15 August 2022

⁸ *Ibid*

⁹ Maj Gen Ashok Kumar (retd), 'India-China border dispute: Why current day LAC is a huge disadvantage to New Delhi' (*India Today*, 16 August 2022) <<https://www.indiatoday.in/news-analysis/story/india-china-border-dispute-why-current-day-lac-disadvantage-new-delhi-opinion-1988456-2022-08-16>> accessed 16 August 2022

¹⁰ *Ibid*

¹¹ *Ibid*

along the LAC including warning shots¹². Amid the conflict,¹³ some influencers and organizations started Indian campaigns regarding boycotting Chinese products¹⁴ which created a great influence as so many companies stopped the entry of Chinese products and supported the campaign and Indian citizens started taking it as an oath to never use any Chinese products. As it is clear that the people were not happy with china due to the covid-2019 period which is not particularly a topic to blame as people lost lives in different countries. But even after such hardships and the condition of the whole world the conflict aroused from China's side led the Indian government and citizens to take such steps.¹⁵

LEGAL PRECEDENT: Emergence of Self-Dependency

The 2020 Indo-China skirmishes have fundamentally changed how the two nations relate to one another. Amid such conflict, the Indian government and the Ministry of Information and Technology banned various Chinese apps over data privacy concerns. Under Section 69A¹⁶ of the Information Technology Act of 2000, India banned 59 Chinese apps or those with Chinese origins in response to the border attacks imposed by the Ministry of Electronics and IT (Meity) the authority to implement the prohibition.¹⁷ On the one hand, Chinese tech companies highlight a crucial concern about the privacy inconsistencies of apps created in other nations.¹⁸

The first ban was followed by another set of 47 apps being blocked from operations in India from July 2020.¹⁹ These apps were mostly alternatives to the apps banned in June 2020.²⁰ Later, on September 2 that year, the IT ministry banned another 118 Chinese mobile apps, which

¹² Russell Goldman, 'India-China Border Dispute: A Conflict Explained' (*New York Times*, 17 June 2020) <<https://www.nytimes.com/2020/06/17/world/asia/india-china-border-clashes.html>> accessed 16 August 2022

¹³ Yuthika Bhargava (n 1)

¹⁴ *Ibid*

¹⁵ Rajesh Kumar (n 2)

¹⁶ Information Technology Act 2000, s 69A

¹⁷ Yuthika Bhargava (n 1)

¹⁸ Press Information Bureau, 'Government Bans 59 mobile apps which are prejudicial to sovereignty and integrity of India, defence of India, security of state and public order' (*Government of India*, 29 June 2020)

<<https://pib.gov.in/PressReleaseDetailm.aspx?PRID=1635206>> accessed 15 August 2022

¹⁹ Rajesh Kumar (n 2)

²⁰ *Ibid*

included the prominent gaming platform PUBG.²¹ In total so far, close to 300 apps and their proxies banned by the IT ministry.²²

The Indian government occasionally implements appropriate measures to control the import of goods, including those important to the country. Since both India and China are WTO members, any trade restrictions must adhere to WTO regulations. The government periodically reviews and implements WTO-compliant measures (both policy and trade remedies) to address the issues brought up by various stakeholders to have a comprehensive global trade strategy. Following the Atmanirbhar Bharat policy, the government has put policies to promote domestic manufacturing, such as the production-linked incentive (PLI) schemes, into place to support and increase domestic capacities.

AN INITIATIVE TO SUPPORT LOCAL MANUFACTURERS

The CAIT as Confederation of All India Traders representing 7,000 traders and 40,000 trade associates introduced the boycott of 3,000 Chinese goods²³. The list of such goods mostly contains textiles, fabrics, toys, food items, stationery, paper, electronics etc. CAIT held daily conferences for influencing every citizen to boycott Chinese products and unite as a nation to support Indian products and industry. The conference was held by the president of CAIT Brij Mohan Aggarwal-convenor and Sumit Agarwal promoting the campaign to boycott Chinese goods.²⁴ Their main agenda was to influence Indian traders to not sell Chinese goods and also stop Indian citizen to stop buying any Chinese goods to support local manufacturers.²⁵

²¹ Karishma Mehrotra, 'India bans 59 Chinese apps, including TikTok, Share It, UC Browser' (*The Indian Express*, 29 June 2020) <<https://indianexpress.com/article/india/china-apps-banned-in-india-6482079/>> accessed 15 August 2022

²² *Ibid*

²³ Neelam Pandey, 'Traders' body calls for boycott of 3,000 Chinese products over 'continued' border clashes' (*The Print*, 16 June 2020) <<https://theprint.in/india/traders-body-calls-for-boycott-of-3000-chinese-products-over-continued-border-clashes/442885/>> accessed 15 August 2022

²⁴ *Ibid*

²⁵ *Ibid*

ANTI-DUMPING DUTY ON CHINESE GOODS FOR 5 YEARS

“The anti-dumping duty imposed under this notification shall be levied for a period of five years (unless revoked, superseded or amended earlier) from the date of publication of this notification in the Official Gazette and shall be payable in Indian currency, the CBIC said in the notification held by the department of revenue.²⁶²⁷ Anti-dumping duties are levied to safeguard the country’s domestic market from any unfair trade practices that are affecting the domestic market and increasing monopoly.²⁸ Following the notification by the Central Board of Indirect Taxes and Customs (CBIC),²⁹ the duties have been imposed on certain flat-rolled products like aluminium; sodium hydrosulphite (used in the dye industry); silicone sealant (used in the manufacturing of solar photovoltaic modules, and thermal power applications); hydrofluorocarbon (HFC) component R-32; and hydrofluorocarbon blends (both have used in refrigeration industry).³⁰

CAN INDIA STOP CHINA FROM SUPPLYING GOODS TO THE INDIAN MARKET?

The answer is no since, following WTO regulations, it is not possible to completely exclude imports from any nation, even if there are no diplomatic, trade, or regional ties with that nation.³¹ On the other hand, the Indian government has the authority to forbid specific Chinese goods due to safety and security concerns.³² The Indian government has outlawed Chinese mobile phones without an IMEI number, the Commerce and Industry Minister said in the Lok

²⁶ Customs Tariff Act 1975, sched 1, s 51

²⁷ Department of Revenue, ‘To be published in the gazette of India, extraordinary, part II, section 3, sub-section (I)’ (Notification no. 74/2021) <<https://www.cbic.gov.in/resources/htdocs-cbec/customs/cs-act/notifications/notfns-2021/cs-add2021/csadd74-2021.pdf>> accessed 15 August 2022

²⁸ *Ibid*

²⁹ Central Board of Indirect Taxes and Customs, ‘PART - IV Anti-dumping duty Notifications’ (CBIC, 2022) 3 <<https://www.cbic.gov.in/resources/htdocs-cbec/customs/cst1819-010219/cs-add/anti%20dump%20ch%2023.pdf;jsessionid=EF635C6B6A2D187FB206EEBA235E54A3>> accessed 14 August 2022

³⁰ *Ibid*

³¹ Nikhil Inamdar, ‘Can India afford to boycott Chinese products’ (BBC, 25 June 2020) <<https://www.bbc.com/news/world-asia-india-53150898>> accessed 15 August 2022

³² Yuthika Bhargava (n 1)

Sabha in response. India's milk products are likewise prohibited in China due to major health concerns.³³

WHAT CAN INDIA DO TO PREVENT CHINESE GOODS FROM ENTERING THE INDIAN MARKET?

India has the authority to levy anti-dumping and countervailing duties on low-cost Chinese imports including toys and electronics.³⁴ Following the application of these two levies, the costs of Chinese goods rise in the Indian market, allowing Indian manufacturers to make these goods there, and creating jobs in India.

INDIAN ECONOMY - THE AFTERMATH IMPACT

As discussed earlier, due to the conflict between India and China in Ladakh led the Indian government on June 29 to ban 59 Chinese apps including popular ones as well such as TikTok, Share It, Shein, Club Factory, UC Browser etc.³⁵ As India also imposed Anti-dumping duties on five Chinese products for 5 years due to reasons containing low quality of products, human rights issues, territorial conflicts and conflicts regarding particular viewpoints.³⁶ The estimation of Sensor Tower shows that the app TikTok had about 611 million downloads all over India. And the number of active users has been the highest at 200 million. The file-sharing app Share It had about 400 million users.³⁷ There is no doubt that the user base is very much high on the banned apps and the Indians are the top users of such apps which clearly shows the breakdown of the economy of China.³⁸ But there is a drawback as well. As various apps are used to provide goods at a very low range that anyone could afford except for durability.³⁹ Shopping platforms like Club Factory, Ali-baba and the most popular among girls, i.e. Shein have been popular for a reason as the app contains various goods and products which are not easily available. Western

³³ *Ibid*

³⁴ Rajesh Kumar (n 2)

³⁵ Karishma Mehrotra (n 21)

³⁶ Oliver Yeh, 'TikTok Surpasses One Billion Installs on the App Store and Google Play' (*Sensor Tower*, February 2019) <<https://sensortower.com/blog/tiktok-downloads-one-billion>> accessed 15 August 2022

³⁷ *Ibid*

³⁸ Yuthika Bhargava (n 1)

³⁹ *Ibid*

clothing which is not easily available is available on Shein at very low prices which are hyped on that app among women. And the growing calls regarding the boycott of goods from China deeply affected Chinese products, services and investments in the Indian economy.⁴⁰

The negative Impact:

Chinese products are well established and create a supply chain in various sectors in India. The economy is not well recovered from the pandemic yet, so any operation through any of the countries can affect the supply chain and economy of both countries.⁴¹ As India cannot impose a full ban on Chinese products due to rules given by World Trade Organization but yet carried out an operation to minimize the supply chain and development of Chinese products in the Indian economy by using alternatives. For example, India banned the Chinese app UC browser, so Indian users can opt for Google chrome, Opera, Mozilla Firefox and many more apart from any Chinese origin app.⁴²

There are various sectors which would be negatively affected if India boycotts all the Chinese origin goods and apps such as⁴³:

- **Auto:** China holds a position as a key supplier for providing components of an engine, and tires at low prices which would affect the economy if looked for any alternatives.
- **Durable goods:** China supplies various goods at low prices which are durable as well so if taking into consideration the population of the middle class and low-class people in India, boycotting Chinese products would affect Indians until any better alternative is supported.
- **E-sports:** Banning the famous multiplayer game named PUBG affected the e-sports career of many as the Indian youths started YouTube channels and started streaming gaming and participated in various competitions by PUBG and earned well, which no doubt impacted the emerging career of the E-sports sector in India.

⁴⁰ Nikhil Inamdar (n 31)

⁴¹ *Ibid*

⁴² Karishma Mehrotra (n 21)

⁴³ Oliver Yeh (n 36)

Positive Impact⁴⁴:

- The banning of apps has provided a great opportunity for start-ups in India as making such products and introducing such apps in India would also create employment and affect the economy positively because India would become more self-dependent.
- India has shown the importance of data privacy by banning apps over the concern of data privacy which imparts a lesson for any other country to safeguard their data and the digital technology of the country.
- The step taken by the government to preserve the right to protect the data of Indian citizens was to safeguard their interests and provide security against any ill practices.
- The befitting reply by India to the Chinese government has sent a message to everyone that India is no longer suppressed as a victim of China's ill policy and its improper engagement.

RISE OF INDIA'S LOCAL APPS

Following the ban of the most popular app,⁴⁵ TikTok raised the user count of other apps. India banned Tik-Tok in June 2020 and MX Player launched their alternative app for Tik-Tok as MX Taka Tak, a short video streaming app which reported to have 126 million downloads in 2021.

The initiative to ban such apps gave chance to various alternatives like⁴⁶:

- YouTube launched YouTube shorts which also showed promising results among Indian citizens.
- Meesho, an e-commerce and shopping app, received over 158 million downloads to be ranked 2nd in 2021.
- UC browser was banned as well which provided an opportunity for Mozilla Firefox, Opera Mini etc.

⁴⁴ *Ibid*

⁴⁵ Nikhil Inamdar (n 31)

⁴⁶ *Ibid*

- The removal of the most popular western clothing shopping platform SHEIN in India increased the active users on shopping platforms like Myntra, Flipkart and Meesho.
- UC News, QQ Newsfeed banned in India: Alternate apps for these are Inshorts, Live Law, Daily News and many more Indian origin apps.⁴⁷

EFFECTS OF THE INDIAN BAN ON CHINESE GOODS

The Indian market is a known example of a price-sensitive market. Here, a business must maintain a low price to gain market share. Indian consumers are more focused on product costs than they are on product quality. Because Indian items are more expensive than Chinese ones,⁴⁸ if Chinese products are prohibited or boycotted in India,⁴⁹ this could increase India's inflation rate.⁵⁰ India's lower-income groups will suffer greatly as a result of their inability to purchase pricey Indian goods.⁵¹ Therefore, the Indian government must keep in mind that while China exports 8% of its overall exports to India, India only sends 2% of its entire exports to China before making any decision to prohibit or boycott Chinese items. Therefore, the Indian government must decide this issue logically, not emotionally.

IMPACT OF THE BAN ON CHINA

India is one of the key application markets for China that is expanding and valuable due to the country's more accessible and affordable internet services and growing population.⁵² China may experience numerous economic disadvantages as a result of the banned procedure used by the Indian government.⁵³ The ban may serve as a model for other countries that have expressed concern about the pervasiveness of apps like TikTok and the threat to privacy it poses

⁴⁷ Arfa Javaid, 'What are the alternatives to 59 banned Chinese mobile apps' (*Jagran Josh*, 30 June 2020) <<https://www.jagranjosh.com/general-knowledge/alternatives-to-chinese-apps-1593501766-1>> accessed 16 August 2022

⁴⁸ Yuthika Bhargava (n 1)

⁴⁹ Nikhil Inamdar (n 31)

⁵⁰ Press Information Bureau (n 18)

⁵¹ *Ibid*

⁵² Karishma Mehrotra (n 21)

⁵³ *Ibid*

concerning user data.⁵⁴ In response to the ban,⁵⁵ Beijing has made veiled threats to take the matter before the WTO. India and China are both WTO members, and their cross-border trade is governed by their rules, which limit territorial restrictions.⁵⁶

RESPONSE OF CHINA TO THE BAN

China reportedly stated that it believes India's actions may violate World Trade Organization regulations (WTO). The Chinese Embassy in New Delhi released a statement in which it claimed that "India's selective and discriminatory measure targets some Chinese apps on speculative and illogical grounds, runs counter to equal and clear procedural standards, abuses exceptions to national security, and may be in violation of WTO laws." Additionally, it goes against the overall tendencies of online and international trade and is not suited to customer preferences and Indian market competition.

WHAT IMPACT DOES THE RESTRICTION HAVE ON CHINESE APP DEVELOPERS?

App developers are impacted by the potential loss of advertising revenue. The parent company of Tik Tok, Byte Dance Ltd. reported a \$ 3 billion profit and a doubling of global revenue to \$ 17 billion in 2019. Even though its India Company only generated \$ 5.8 million in sales for the fiscal year that ended in March 2019, the stakes appear to be rising due to more rapid customer adoption in recent months. According to Reuter's article,⁵⁷ TikTok claimed to be losing about \$ 15 million per month as a result of the restriction when it was briefly prohibited in India last year on suspicion that it encouraged pornography. After then, the programme had been permitted to run.⁵⁸

⁵⁴ Arfa Javaid (n 47)

⁵⁵ Hemant Singh, 'Is India in the position to boycott Chinese products?' (*Jagran Josh*, 2 June 2020) <<https://www.jagranjosh.com/general-knowledge/is-india-in-the-position-to-boycott-chinese-products-1500029094-1>> accessed 15 August 2022

⁵⁶ *Ibid*

⁵⁷ Lizzy Hillier, 'Stats roundup: the impact of Covid-19 on marketing & advertising' (*E-consultancy*, 13 December 2021) <<https://econsultancy.com/stats-roundup-coronavirus-impact-on-marketing-advertising/>> accessed 16 August 2022

⁵⁸ *Ibid*

CONCLUSION

It is well clear that the propaganda of boycotting Chinese goods in India was not only due to territorial conflicts but holds another aspect as well. There have been conflicts of choice in respective matters which created such fuss among the countries. And social media has become a medium to influence the majority of the population to carry out any such operation. The move made by the government has brought a nature of self-dependency among Indians and created a ray of hope as well through which even the other country would realise that India doesn't sit quietly whenever someone tries to mess up with their citizens' data. This move has made clear to every other country that data privacy is a big deal and should be a concern. The befitting reply of India and the step of banning the popular apps is the revenge taken by the Government of India from the government of China for messing up with the Indian user data and all the steps taken by China govt. which arose the border dispute.

The Chinese economy is badly affected due to such a move by the Indian government but it is well known that the full ban cannot be introduced due to rules laid by World Trade Organization. But the audacity of Indian citizens and organizations to introduce an initiative to 'Say NO to Chinese products' has emerged and the term Aatm-Nirbhar has been widely introduced in India. Due to this Indian citizens themselves chose to avoid buying Chinese products which showed their patriotism and love in front of any country and mark an example. Although this move was widely appreciated and everything comes with negative aspects but this initiative has got more positive aspects like Indians will get a chance to introduce their Indian origin alternative for any banned apps or products and enter into those industries which not only show their talent but also help the Indian economy in development as well.