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SHRI RAM COLLEGE OF COMMERCE

VOLUME 2 ISSUE 1 2017-18

STRIDES

A STUDENTS' JOURNAL OF SHRI RAM COLLEGE OF COMMERCE

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Editor – Dr. Santosh Kumari

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All correspondence relating to publication of the Journal should be addressed to :

The Principal
Shri Ram College of Commerce
University of Delhi, Maurice Nagar
Delhi - 110 007 (India)
e-mail: principaloffice@srcc.du.ac.in

Principal's Message

The mission statement of the College, signifying the existence and its road map to the achievement of its vision, reads as:

"To achieve and sustain excellence in teaching and research, enrich local, national and international communities through our research, improve skills of alumni, and to publish academic and educational resources"

To achieve and promote excellence in publications and applied research, the College has taken the initiative to launch a new journal exclusively to publish students' research papers and articles. It will be an add-on to the enriched catalogue of College publications and academic literature.

The journal has provided an opportunity to the students of our college to focus on research. Since the students were not opened to the research methodologies at the undergraduate level, they were mentored by experienced senior faculties of our College. Simultaneously, their articles were also reviewed by the referees and tested for plagiarism before publication. After reporting all the suggestions recommended by the referees, the articles were revised and then finally published. The College had successfully released the foundation issue of the journal **"Strides – A Students' Journal of Shri Ram College of Commerce, Volume 1, Issue 1, 2016-17"** on the occasion of 91st Annual Day of College held on 13th April 2017. The Journal was released by Shri Prakash Javadekar, Honb'le Minister of Human Resource Development, Government of India.

The college has already applied for seeking International Standard Serial Number (ISSN) for the Journal. The application for ISSN is still under process.

I would like to congratulate the students whose papers are published in this issue of the journal and simultaneously encourage all the students to contribute their research papers and articles for the successive issues of the Journal.

Best wishes for their future endeavors.

Prof. Simrit Kaur
Principal

Editor's Message

Shri Ram College of Commerce is well known for its academic excellence and dedicated approach towards dissemination of knowledge in the academic world. The College appreciates the role of research in education and is committed to developing an inclination towards research in both faculty and students. In this pursuit, the College has taken the initiative to launch a new Journal named 'Strides – A Students' Journal of Shri Ram College of Commerce' to encourage students to pursue research under the guidance of the faculty of Shri Ram College of Commerce.

It is a bi-annual journal launched exclusively to publish academic research papers and articles by the students on contemporary topics and issues in the area of commerce, economics, management, governance, policies etc.

In order to maintain high standards of publication, the Committee on Publication Ethics (COPE) has been constituted. The COPE shall be the apex authority to take all decisions related to publication of research papers and articles in Strides. The decision of the COPE shall be final and binding.

To maintain high academic standards, academic ethics and academic integrity, a rigorous process of double blind review of research papers is followed along with screening for plagiarism of each manuscript received by the college for publication. The research work published in Strides is original and not published or presented at any other public forum.

The foundation issue of the Journal i.e. **"Strides – A Students' Journal of Shri Ram College of Commerce, Volume 1, Issue 1, 2016-17"** was successfully released on 91st Annual Day of the College held on 13th April 2017 by Shri Prakash Javadekar, Honb'le Minister of Human Resource Development, Government of India.

The successive Issues of 'Strides – A Students' Journal of Shri Ram College of Commerce' shall be bi-annually released.

Dr. Santosh Kumari
Editor

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RESEARCH PAPERS AND ARTICLES

Kuhikaa Vaishnavee Arora
BA Economics (Hons.)
Shri Ran College of Commerce
University of Delhi

Mentor

Mr. Mahesh Khicher
Assistant professor (Ad Hoc)
Department of Economics
Shri Ran College of Commerce

The Initiative to Boycott Chinese Goods

India and China have a long history of relations-bilateral, diplomatic and trade. The relations have witnessed conflicts but post-war, China hardly ever brought up boarder disputes with India and thus, relations at present seem peaceful. Government reports show that trade between India and China has been leading to a trade deficit for India (which has been on the decline since 2012-13). China is also a major investor in Pakistan and is trying to implement the One Belt One Road (OBOR) policy with the help of the 'String of Pearls', which is being blocked by India. All of this has potential negative impacts on both countries and thus, in an attempt to hamper Chinese growth, the Indian public has started a movement to boycott Chinese goods. Survey results show that 40.7% consumers bought Chinese goods due to their low price and about 31.4% people gained their knowledge about the boycott from social media. Most people also felt that the boycott will have a huge impact on the Chinese Economy. Sellers, on the other hand, favored Chinese goods due to higher profit margins (as high as 50% for some goods). If the demand for a particular good had reduced after the boycott, they had switched to Indian or Korean articles. This had lead to a fall in Indian imports from China. On the other hand, cases of dumping against China had increased. Keeping all this and the fact that exports to India make-up only about 3% of China's total exports, in mind, we can conclude that in the short run, the boycott will not have much of an impact on the Chinese Economy. However, in the long run, if India is able to domestically produce the goods that it *currently imports, the Indian industries could derive economies of scale, which would ultimately lead to development for India and yield long-term benefits.*

INTRODUCTION

India and China have a long standing history of relations. The cultural and economic relations trace back to time of the silk route, when India and China used to trade goods like carpets, spices, silk etc. The 19th century witnessed the first and second opium wars, which were attributed to China's growing trade with the East India Company. The modern relations come after three major border disputes, namely the Sino-Indian war (1962), the Chola Incident (1967) and the Sino-Indian Skirmish (1987). The trade between these two countries, however, continues to flourish, with the balance of trade being unfavorable towards India. At present, the two countries are also facing issues regarding Kashmir and ceasefire violations, with the trade balance scenario not changing much. The citizens of India, however, have taken up an initiative to boycott the goods made in China as a small attempt to shake the Chinese economy.

At present, according to the reports of the Department of Commerce, Government of India, India exports a number of goods to China, including animals and animal products, agricultural goods, tobacco and manufactured tobacco substitutes, minerals, chemicals, compounds, fabrics etc. which have a net worth of $10,196.69 million (2016-17) and consists of about 3.6907% share in the total exports to China. Also, India imports goods like animal products, agricultural products, ores and minerals, pharmaceutical products, fertilizers, fabrics and fibers, glass, iron and steel and other metals, nuclear reactors, machinery and mechanical parts, aircrafts, toys etc. which have a net worth of $61,286.24 million and hold a share of 15.9467% (2016-17) in India's Exim bank. Out of this, the goods most imported are electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts, with a value of $29,565,939.82 million (2016-17). This has recorded a growth of 9.80% whereas the most exported items are salt, sculpture, earths and stone; plastering materials, lime and cement with a total value of $9,327,959.39 million (2016-17). This has recorded a growth of 37.12% over the previous year i.e. 2015-16. The Exim bank shows that exports have grown by 13.17% with a total value of $276,280.29 million whereas the imports have grown by 0.87% with a total of $384,319.29 million. Putting this in the simple formula of-

Balance of trade	=	Exports-Imports
	=	$276,280.29 million-$384,319.29 million
	=	(-) $ 108,039.01 million
		(According to Department of commerce reports)

This means that the current trade scenario has put us at a loss and hence given us a huge trade deficit. At the same time, China has a huge trade surplus with India. This deficit for us, however, has been decreasing from 2012-13 to 2016-17.

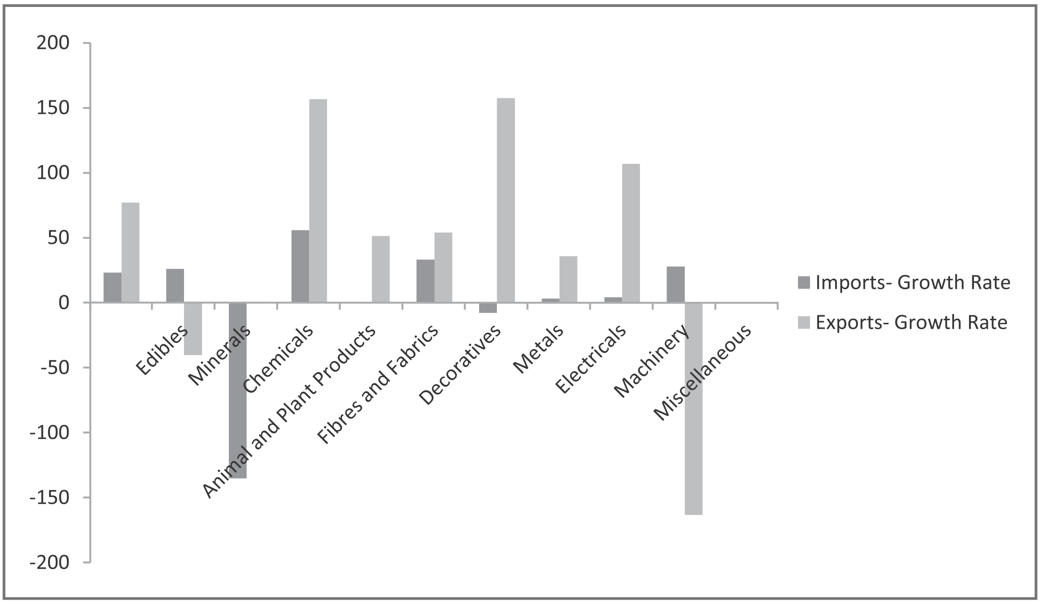


Figure 1: Growth Rate of Imports and Exports

China, at present, wishes to build a corridor linking China, which has a very small coastline, to the west, which will include Africa and Europe. This link will be established by connecting China to the Gwadar port in Pakistan via a direct road link. Thus, this is also called the China-Pakistan Economic Corridor (CPEC). The problem, however, is that this corridor passes through Pakistan occupied Kashmir and thus, India is not allowing its use. China's blocking of India into the Nuclear Suppliers Group could also be one of the reasons for the same. Some experts also claim that China feels isolated as it is not a part of G7 and thus, it is making attempts to include itself (Apurva (2017), China's Belt and Road initiative: In giant trade Belt, Road to new growth rush, The Indian Express, Available at :: http://indianexpress.com/article/explained/china-belt-and-road-initiative-in-giant-trade-belt-road-to-new-growth-rush-4651727/ [Accessed August 31, 2017]). China has no access to the southern world oceans and thus, the CPEC becomes very important for it. Without it, the Chinese shipments from Europe and Africa have to travel all the way around India to reach the Chinese ports on the eastern side of the country. Currently China is, in many ways, trying to corner India by establishing relations with all of India's neighboring states. Moreover, China's 'String of Pearls' policy, which is seen as China's attempt to establish military and commercial facilities and relationships with countries that could help it in sea transportation is seen as a threat to India as it could sway it's neighbors in China's favor.

Nepal – The trade and investment between China and Nepal is rapidly growing. Moreover, Nepal has started to believe that India interferes in its international affairs'. This belief was strengthened when the border was blocked during the constitutional riots in Nepal.

Bhutan- China does not have formal bilateral ties with Bhutan. However, the Doklam issue seems to be pricking the country.

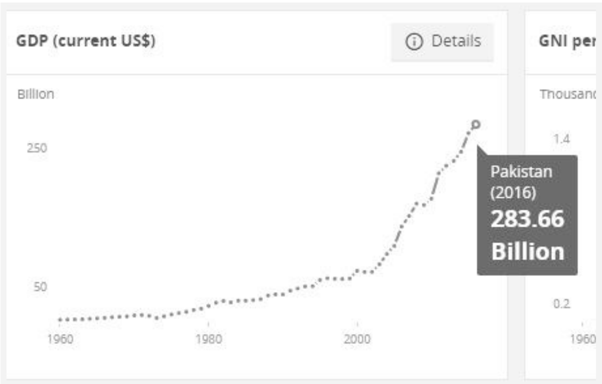
Bangladesh- China has been helping Bangladesh strengthen its military since 2002. It has also moderated between Bangladesh and Myanmar. Ms. Sheikh Hasina has invited India to help in the development of the Sonadia port, for which help is already being given by China. This could be interpreted as the country fearing dominance from China and India and thus, aiming to achieve balance by asking both countries for help. Moreover, considering the political relations between the Indian government and the Sheikh Hasina lead Bangladeshi government, India and Bangladesh are likely to maintain good relations. But it is not hidden that Ms. Zia Khaleda (opposition leader), who has also said that Sheikh Hasina is 'selling the country' to India to remain in power, does not hold a favorable view of India and thus, relations are likely to deteriorate when she comes to power. (Asma Masood, (2017). [online] Available at:
https://www.mmbiztoday.com/articles/india-bangladesh-china-relations-complex-triangle [Accessed Sept 1. 2017].)

Myanmar- India and Myanmar seem to have cordial relations, but so do Myanmar and China. Though Myanmar's democratic ties seem to be better with India, the military ties are better with China. Also, about 10% of the people in the country are originally from China. In fact, the city of Mandalay is practically a Chinese city. It is also noteworthy, that China has far greater investment in Myanmar than India does. (Shastri Ramachandaran, (2017). [online] Available at:
http://www.thecitizen.in/index.php/NewsDetail/index/5/6450/Myanmar-Advantage-China-Over-India [Accessed 26 Oct. 2017]).

Sri Lanka- China has invested heavily in Sri Lanka as a part of it's "String of Pearls' policy. Mahindra Rajpaksa, the sixth president of Sri Lanka, had often looked to China for economic and diplomatic support. China is also one of the largest investors in Sri Lanka, which gives it immense indirect control of the country. These investments have been used for the development of roads, highways; ports etc, among these, the Hambantota Port Development and the Colombo Port Development project form a major part. At the same time, India too, is trying to expand ties with Lanka by conducting advanced talks to operate an airport in the southern tip of the island. China too, has invested in this region as a part of the road initiative (Aneez Miglani, (2017). [online] Available at: http://www.livemint.com/Politics/YsoJEzrsmNzbcagh6BBGZN/India-eyes-airport-in-Sri-Lanka-near-Chinese-Belt-and-Road.html [Accessed 9 Sept. 2017]..).

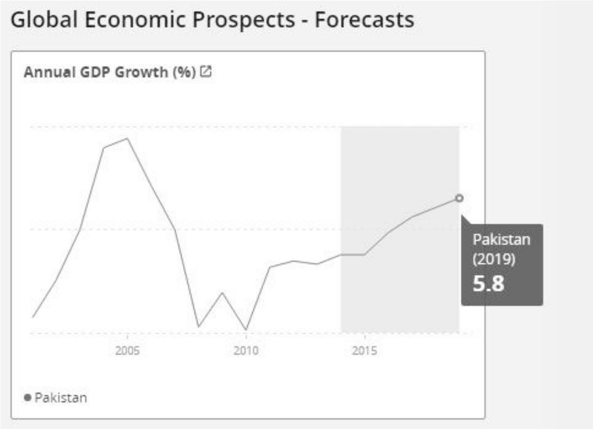
Pakistan- The construction of the CPEC would mean immense development for Pakistan along with access to an international airport.

According to The World Bank Group (US), Pakistan's GDP has been growing at fast rates since 2000 and is likely to keep growing even in future. In 2016, the GDP was $283.66 billion. The Annual GDP Growth of Pakistan is also expected to grow at a steady rate and reach 5.8 in the year 2019. The Foreign Direct Investment (FDI), Net Inflows to Pakistan amounted to a total of $979 million in 2015 (World Bank Group (US) (undated) Country Profile).



Source: Data, World Bank Group (US)

Figure 2: Growth of Pakistan's GDP (US$)



Source: Data, World Bank Group (US)

Figure 3: Global Economic Prospects Forecast for Pakistan

According to data on the website of the Board of Invest, Prime Minister's Office, Government of Pakistan, in 2016-17, Pakistan had received a total of $2,410.9 million of FDI (including and excluding private proceedings). Out of this, China had invested a total of $1,185.6 million of FDI in Pakistan. This is higher than the amount invested by any other country. From this, we can conclude that Chinese investment in Pakistan amounted to about 49.176% of it's total investment. An amount this large is enough to sway any country's policies in it's favor.

Considering that there is not much record available about the usage of the investment that the country gets, it is speculated that Pakistan uses the Chinese investment to fund it's military operations (unverified). Moreover, the belief that Pakistan supports terrorism and even funds it, combined with the blocking of Pakistan from the naming of Maulana Masood Azhar as a terrorist by the united nations reiterates the belief that Pakistan, as a state, supports terrorism and thus, uses the funds it gets to support it.

Initially, China and India started with having one-quarter and one-third of the world's GDP share, respectively. This share has been steadily declining and has reduced to 14.9% and 6.3% respectively.

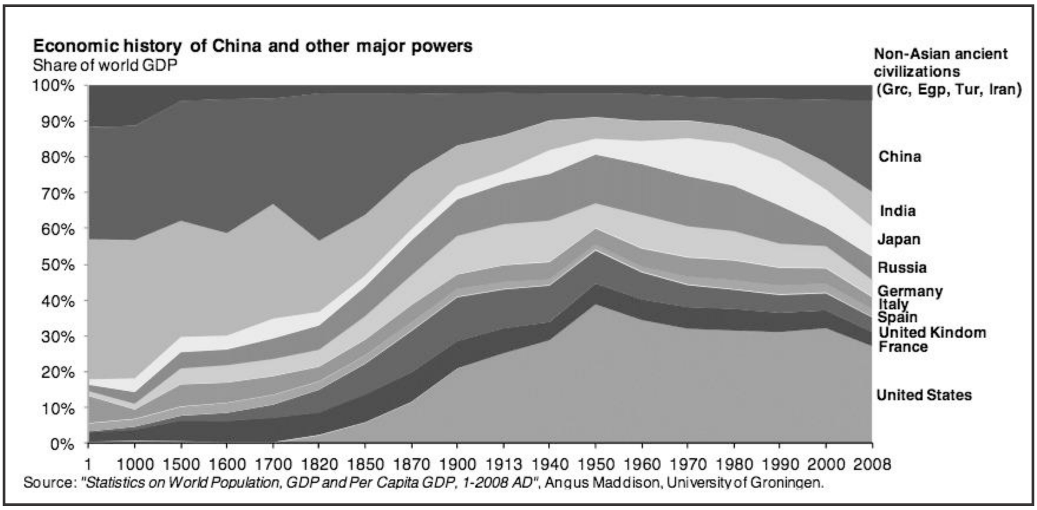
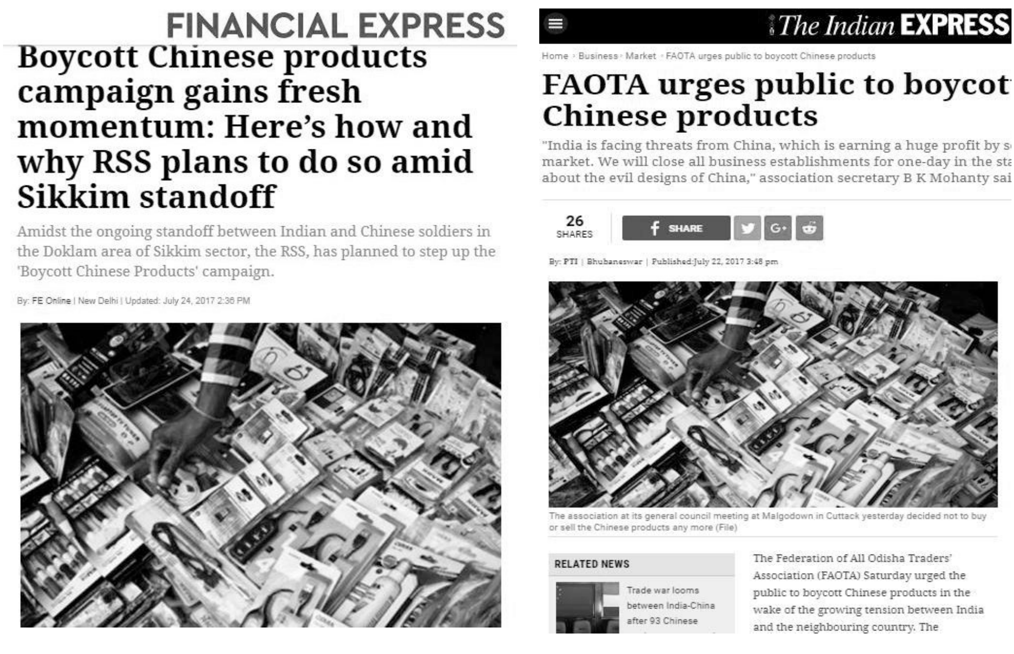


Figure 4: Share of world GDP of different countries

Considering China's economy currently and India's high growth rate, it becomes clear that both countries aim to be superpowers in the world but this is not possible and thus, a conflict is inevitable. However, both parties are trying to avoid it. China, for example, has understood the resentment that the Indian population has developed against Chinese goods and thus, is trying to enhance diplomatic ties with steps like withdrawing from Dokhlam and condemning Pakistan's terrorism at the BRICS summit.

One attempt made by Indians to curb the growth of the Chinese economy is the initiative to boycott Chinese goods. Swadeshi Jagran Manch is an organization that coordinates the working of the movement to boycott Chinese goods. They also organized the 'Swadeshi Maha Rally' rally on October 29, 2017 to create awaresness among the masses regarding China's policies on boarder and economy. (Debobrat Ghose, (2017). [online] Available at: http://www.firstpost.com/india/rss-affiliated-swadeshi-jagran-manch-to-hold-rally-against-chinese-aggression-today-over-a-lakh-to-participate-4181873.html [Accessed 30 Oct. 2017].)

If the movement was to be given a starting point, it would be in October, 2016. This was a time when the movement picked up momentum and gained mass support. This was displayed when the sale of Chinese goods fell severely, as was also covered by many major newspapers.



FINANCIAL EXPRESS

Boycott Chinese products campaign gains fresh momentum: Here's how and why RSS plans to do so amid Sikkim standoff

Amidst the ongoing standoff between Indian and Chinese soldiers in the Doklam area of Sikkim sector, the RSS, has planned to step up the 'Boycott Chinese Products' campaign.

By: FE Online | New Delhi | Updated: July 24, 2017 2:36 PM

The Indian EXPRESS

Home › Business › Market › FAOTA urges public to boycott Chinese products

FAOTA urges public to boycot Chinese products

"India is facing threats from China, which is earning a huge profit by s market. We will close all business establishments for one-day in the sta about the evil designs of China," association secretary B K Mohanty sai

26 SHARES | SHARE

By: PTI | Bhubaneswar | Published:July 22, 2017 3:48 pm

The association at its general council meeting at Malgodown in Cuttack yesterday decided not to buy or sell the Chinese products any more (File)

RELATED NEWS

Trade war looms between India-China after 93 Chinese

The Federation of All Odisha Traders' Association (FAOTA) Saturday urged the public to boycott Chinese products in the wake of the growing tension between India and the neighbouring country. The

Figure 5: Media coverage of the initiative to boycott Chinese goods.

The aim of the initiative was to change the perception of the people with regard to Chinese goods. The idea was that if people develop a negative view towards Chinese goods, they will not buy them, owing to the already existing surplus of Chinese goods in their shops, the shopkeepers will not buy Chinese goods from the wholesalers who, in turn, will not import them and thus, India, with a huge population (and therefore, a huge demand), will be able to cripple the Chinese economy by taking away from them, the revenue that Indian imports used to provide to them.

In a survey conducted, it was found that people mostly bought Chinese goods because they were cheaper than the goods of any other country (40.7%). Another reason that people stated behind the purchase of Chinese goods was that they had no available substitute (36.4%). People also believed that Chinese goods were of better quality (1.9%) while 0.6% of the people bought Chinese goods due to peer pressure. A majority of the people (63.9%) checked whether the product that they are purchasing was made in India or in some other country. 41% of people also felt that Chinese good are not value for money.

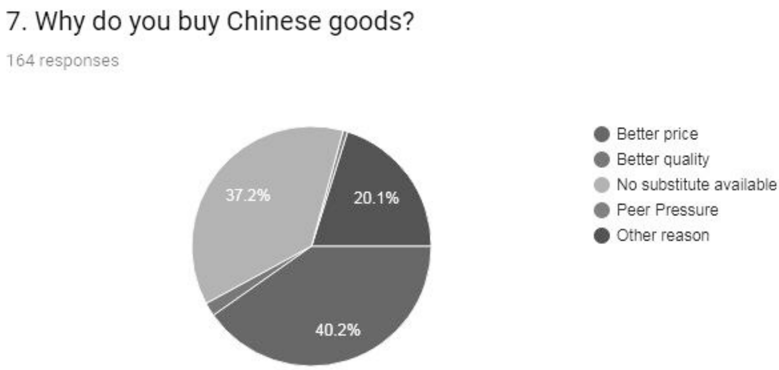


Figure 6: Responses behind the reason to purchase Chinese goods

Most of the people (34.1%) have gained their knowledge about the boycott via social media sites and Watsapp. This instantly puts the validity and reliability of the information they possess, in question.

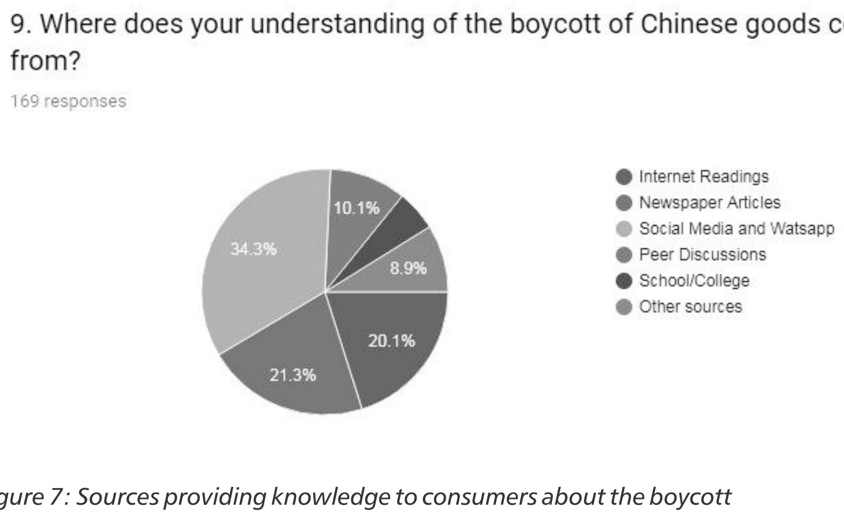


Figure 7: Sources providing knowledge to consumers about the boycott

The popular perception in the minds of the people is that our boycott of Chinese goods will have a huge impact on the Chinese economy, as felt by 58.2% of the respondents. They also felt that we i.e. Indians can surpass the use of Chinese goods. Here, it is important to note that one of the reasons behind the sale of Chinese goods being so successful in India is that in the Indian economy, Substitution Effect is greater than the Income Effect, especially for the people in lower income categories. Thus, China is able to sell cheaper goods in large quantities in India.

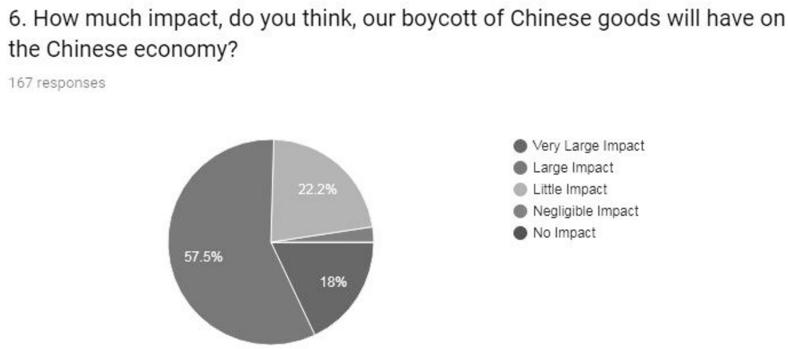


Figure 8: Magnitude of impact consumers expect the boycott to have

The share of exports to India from China is just over 3%, which is a very small part of the total exports of China. With a negligible share in the Chinese economy, it is very difficult for India to impact the Chinese economy in a major way, even if we stop importing goods from China. Moreover, India imports capital good (including Boilers, nuclear reactors, railway locomotives and parts etc.) from China, which need high capital investment and thus, do not have Indian counterparts.

The world was globalised with the idea that each country should produce what it is best and most efficient at producing. The boycott of Chinese goods puts India in a sticky situation because many of the things that India currently imports from china (Eg.- electrical, television images etc.) either cannot be produced in India at all or cannot be produced as efficiently and at costs as low as those at which China produces the goods. This means that if we boycott the Chinese goods, forego their import and start producing those goods in our country, even if we ignore the initial costs of setting up the industry (which too, would turn out to be quite high), the cost of producing those goods would be very high and thus, could do us more monetary harm than betterment. A rational consumer too, wants to be able to buy as much as possible, while spending as less as possible. If this rational consumer is also a manufacturer, he/she will want to minimize his cost, thereby increasing his profits. Considering that Chinese machinery is cheaper than Indian machinery, the manufacturer will, being a rational consumer, end up buying Chinese machinery, which forms a huge part of India's Import basket.

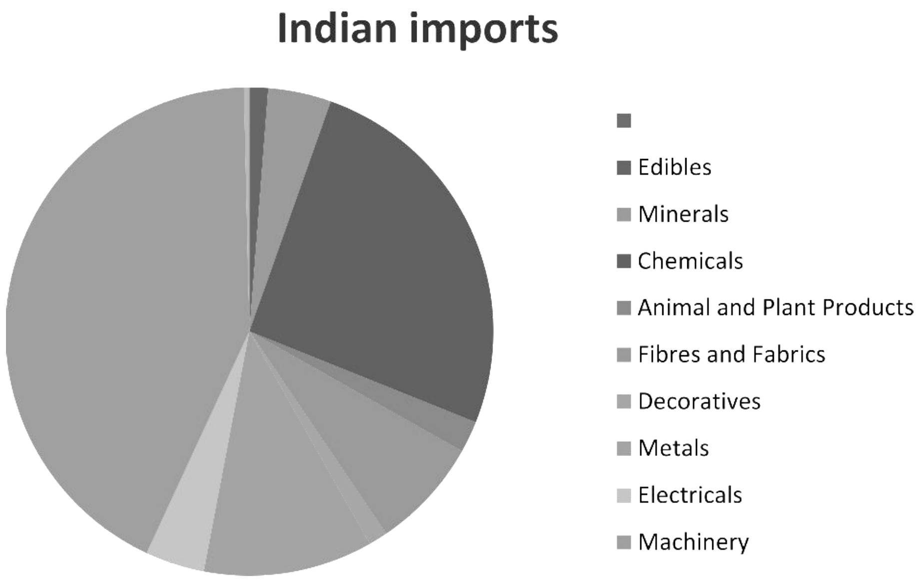


Figure 9: Share of Different items in India's Import Basket (Date Source: Ministry of Commerce, Government of India)

In another survey taken, it was found that sellers were impacted greatly by the boycott of Chinese goods. The sellers who had fixed establishments managed to recover from the loss and switched over to 'Made in India' versions of the goods that they used to sell. However, transit sellers and those who did not have fixed establishments or registered shops were unable to recover from the loss. They were of the opinion that the boycott should not take place as it disrupted their livelihood and shopkeepers who could earn up to Rs. 1000 per day before the boycott, had difficulty in earning even Rs. 100 per day now (as reported by a toy seller of a temporary establishment in Chandni Chowk). On the other hand, sales of goods like earplugs, fidget spinners and phone covers remained unchanged despite the boycott. In fact, most people did not ask for the production destination of such goods. Out of the people who did ask, hardly anyone refused to buy the product simply because it was made in China. Such people, despite the boycott, made a profit of about Rs. 1000 per day from the sale of Chinese goods. The sellers of mobile covers, on the other hand, had a 30% profit margin per Chinese good.

Shopkeepers reported that they kept Chinese goods in their shops because the profit margins on Chinese goods were higher than those of Indian goods and most people demanded Chinese goods. Chinese shoes, for example, were bought because they had better look (shine and glossy finish) than the Indian ones. The Chinese shoes gave the sellers a profit of Rs. 18-19 per piece.

Chinese toys, on the other hand, had seen a sharp fall in demand. The profit margin on these goods was low (Rs. 2-3 per piece) and thus, the earning fell below Rs. 100 per day after the boycott. Another Chinese item that is in great demand in the markets is posters. The sale of these items has been largely unaffected due to the boycott and sellers still earn a profit of Rs. 500-700 per day by selling them. Carpets bought from China and sold in the Indian markets were impacted by the sale of Chinese goods, but sellers still made profit owing to the 50% profit margin that the goods gave them.

A shop selling pharmaceutical goods including Chinese walking sticks, wheelchairs, commodes and walkers were not impacted in any way by the sale of Chinese goods as people cannot avoid the purchase of such goods and these goods were cheap. These goods held a 10% profit margin. The sellers felt that the government needed to do a lot of work before India could stop importing Chinese goods but they felt that it was not impossible. Shops selling BP Machines, thermometers, sugar machines etc. however, were largely impacted by the sale of Chinese goods. Despite this, they managed to maintain a profit margin of 3-4%.

Sellers of welding and billing machines and air compressors made 25-30% profit on Chinese goods. They said that Chinese goods were sold by them as they gave more profits and were readily available. They were cheaper and had better finishing than Indian goods, which is why they were greatly demanded by the public. The sales of such goods remain unaffected after the boycott.

A few shopkeepers, however, also told that the boycott would not have much impact unless it is sustained because the shopkeepers have already imported goods from China and China has received the money. Now, if people do not buy the goods, it is not a loss from China but for the Indian shopkeepers who have a surplus stock kept in their storerooms and warehouses (Translated from Hindi).

An opposition to the goods made in China emerged in the form of goods that were made in India. According to Indian law, the mark of 'made in' is not compulsory except in the cases of food items and drinks, also where preferential import duties are claimed (Santander Trade Portal). Moreover, as in the case of toys and phones, a mark of 'Made in India' on the cover does not simply indicate that the product was made in India. It can also mean that a part (which could be the visible part containing the label) was made in India. The lithium-ion batteries in phones, for example, are mostly made in China. But despite that, phone packets may write 'Made in India', which could be just about a part of the phone, or simply choose to not disclose where the product is made and write 'assembled in china' instead.

Another issue that India is facing, which can be attributed to China is that of Dumping. As defined by Fundamentals of Human Geography, NCERT, dumping is the practice of selling a commodity in two countries at a price that differs for reasons not related to costs. Article VI of the general agreement of trade and tariffs allows countries to apply 'anti-dumping measures' if the dumped goods cause injury to the domestic industries of a country. Since China was dumping items like steel in India, the Indian industries were adversely affected and thus, India has imposed anti-dumping duty on 93 Chinese goods. The directorate general of anti-dumping and allied duties (DGAD) had initiated 169 cases of anti- dumping against China, as on December 31, 2014. In 2016, the number fell to 16 (World Trade Organization (2016) Legal Texts).

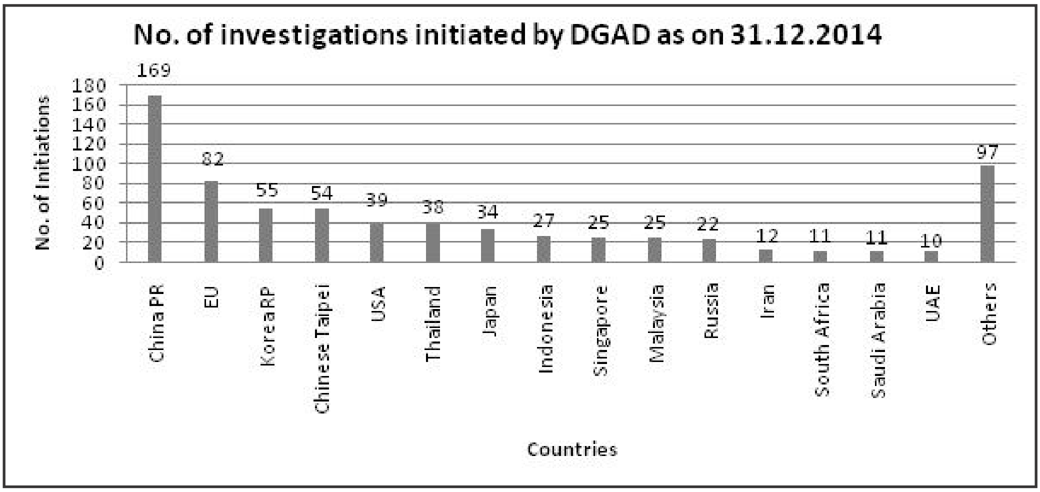


Figure 10: Number of investigations initiated by DGAD as in 31.12.2014

Bilateral Relations make it difficult for governments to intervene directly. While a layperson might say that the way forward is to completely ban the imports of Chinese goods or to drastically increase import duties of the goods imported from China, it is not possible as the step would be very similar to imposing trade sanctions on China. Such a drastic step would have an adverse impact on the bilateral relations between India and China, which is something none of the economies can afford, owing to China's economic size and India's growth. Thus, it can be sufficiently concluded that the government cannot take any direct action against China. It can, and is, however, taking indirect steps in the form of the Make in India policy and the policy to use domestically produced good in government offices. However, a major portion of Indian imports from china is in the form of capital goods and machinery and despite the talk about 'make in india', the country shows little indication of rapid industrialization (Dani Rodrick (2017), [online] Available at: http://www.livemint.com/Opinion/oE6fEzjGl0r2gnQ4dY6ezM/Growth-without-industrialization.html [Accessed 21 Sept. 2017].

As stated before, India has very little share in China's total exports and thus, a boycott by India will not have much impact on the Chinese economy, at least in the short run. In the long run, however, such a boycott can have an adverse impact on China in general. The most obvious effect comes in the form of a spoilt image. If Chinese goods are boycotted by a growing economy like India, it will lead to a negative propaganda of China. Moreover, if relations with India are spoiled, China's one belt one road initiative will have even lesser chances of taking shape. The boycott of Chinese goods is driven more by psychological causes than by rational, economic causes. It is also noteworthy that if India boycotts Chinese goods and everything goes as planned and imports from China reduce to zero, we cannot expect China to sit quiet. China will retaliate and stop importing goods from India as well, which will affect India's trade and relations in the same way as it will be affecting China's.

On the brighter side, however, it is noteworthy that a lot of people also buy Chinese goods because of lack of availability of substitutes. Thus, the motivation to boycott Chinese goods will also motivate people to produce the goods in India. This will mean that with an initial investment to set up production plants in different areas, India's manufacturing capacity will increase manifold. Moreover, this could also encourage Indians to innovate and find innovative substitutes to the products that are currently being imported from China. This will boost the research and development sector in India and promote entrepreneurial skill and start-ups. As time passes and more and more production units will be set up, and with each unit producing more and more goods, the average cost of production of the goods is bound to reduce. The production units will also benefit as they derive economies of scale. This will, in turn, reduce the price of Indian goods in the market.

Thus, in the long run, the boycott of Chinese goods might be helpful in the growth of Indian economy but in the short run, it definitely does more harm than good.

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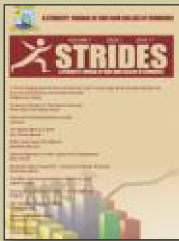

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SHRI RAM COLLEGE OF COMMERCE
University of Delhi, Maurice Nagar, Delhi - 110 007
Phone: 011-27667905 Fax: 011-27666510