

Chinese products flooding the indian market essay sample

[Economics](#), [Trade](#)



India & China are two emerging economies in the world market, they have made a huge impact in trade within and outside one's own country. But China has reached the masses in India with their cheap imports, Direct and indirect, the direct one pertains to the goods coming through proper channels and in a legal way and finding its way into the Indian shops. As Indian market is price-oriented, Indian companies & Manufacturers feel threatened by their Chinese counterpart.

Advantages and disadvantages of allowing Chinese products into India:

With better and more choices of products for consumers, increase in competition in domestic market leads to competitive prices which is good for consumers, & it also leads to economy as a whole and also the businesses involved. There is always an opportunity to sell more, make more profits, increase the market share, remove seasonality fluctuations of demand and supply, increase in productivity, and of course a business or even a country learns a lot on the product development technologies and strategies from doing business with other countries or regions.

Certain industries have also benefited by Chinese imports:

A large number of companies from China are offering fibre optic cable TV equipment at low prices, satellite TV receiver, etc, making it attractive for small cable operators to upgrade their networks. The products, which range from digital satellite receivers to amplifiers and modulators, are available at almost half the market prices in India. This enables small and medium sized cable TV operators to upgrade from the existing RF (radio frequency) to a

fibre optic backbone. With boom of DTH services in India, the providers of such services are making huge profit by importing cheaper equipment, with minimal installation & equipment charge it's a sure advantage for them as well as the customer.

But, though Chinese products are comparatively cheaper compared to Indian products, they are also short lasting leaving no significant benefit. These products are reaching in the domestic market at prices lower by 10-70% compared to Indian items. Many items have not been subjected to quality control and especially in relation to health hazards as in the case of the paint on Toys & use of inedible synthetic milk for milk products (now banned all over). (eg. mattel toys)

There is no proper procedure in China to done eying higher profits, thus, leading to piracy, copyright violations, patents violations, product copies etc. This may well erode the competitive advantage, and the brand image of businesses existing in countries where products are exported.

In 2009 India's annual exports to China stands at about \$11 billion, while China exports goods worth \$27 billion to India. As Chinese imports move up to the value-added chain and will continue to offer attractive price points, imports growth rates could grow at a more rapid pace. Chinese goods are also pumped into India through improper trade channel, these figures are unaccounted, but an assumption is that almost 90 per cent of the products arrive through the grey channel route, and they adversely affect the local economies. The modus operandi is simple: Companies from China export the

hardware in bulk shipments. Once in India, the products are re-branded and sold by local suppliers.

Industries affected by Chinese imports:

Telecom and Pharmaceutical industry have been adversely affected by Chinese imports. Telecom products topped the import chart with over USD 1450 million worth of imports with a growth rate of 42 per cent. In 2008, China export in electrical, electronic equipment stands at 329 Billion USD as compared to India with meager 6 Billion USD. Sensitive items like Pharmaceuticals reported a jump of 60 per cent.

Fastest-growing import category is tiles and refractory, which grew at 292 per cent, machinery imports grew at 146 per cent, wires and cables at 124 per cent tyres imports were at 101 per cent. Import trade statistics is alarming for India's domestic manufacturing industry, which is fighting a losing battle with cheap Chinese imports flooding Indian market.

How to deal with the threat cheap of Chinese imports?

In the long run, with globalization and free trade becoming the norm of trade, Indian need to unemployment in the face of competition. It's no doubt that the Indian industries have been affected, they need to be keep themselves updated about the latest market trends and technologies. There should be continuous study of the market needs such that changes could be made to come up with innovative and cost effective products to tackle the issue. Domestic Manufacturers or smaller scale industries should be

encouraged, guided on the cost reduction and industries flourish by providing them with easy loans. Once this happens Indians will shift from buying Chinese products to indigenous products. (As they are getting the same product at a better quality and same cost.)

The government should make an effort to educate and warn the health hazards of cheap products especially in case of children's toys, so that parents can choose to buy better quality products instead of cheap ones for their children, because most of the common people are unaware of government, media like t. v channels and radio stations too can promote local products by educating them about the health hazards of cheap Chinese products available in the market, and encouraging them to buy local substitutes which are better in quality and more or course even if the local product is a little higher in price at least it better in quality. After all health is wealth and once people understand this they themselves will stop buying such products.