

# Economic Impact of India China Relationship (Digital Warfare)



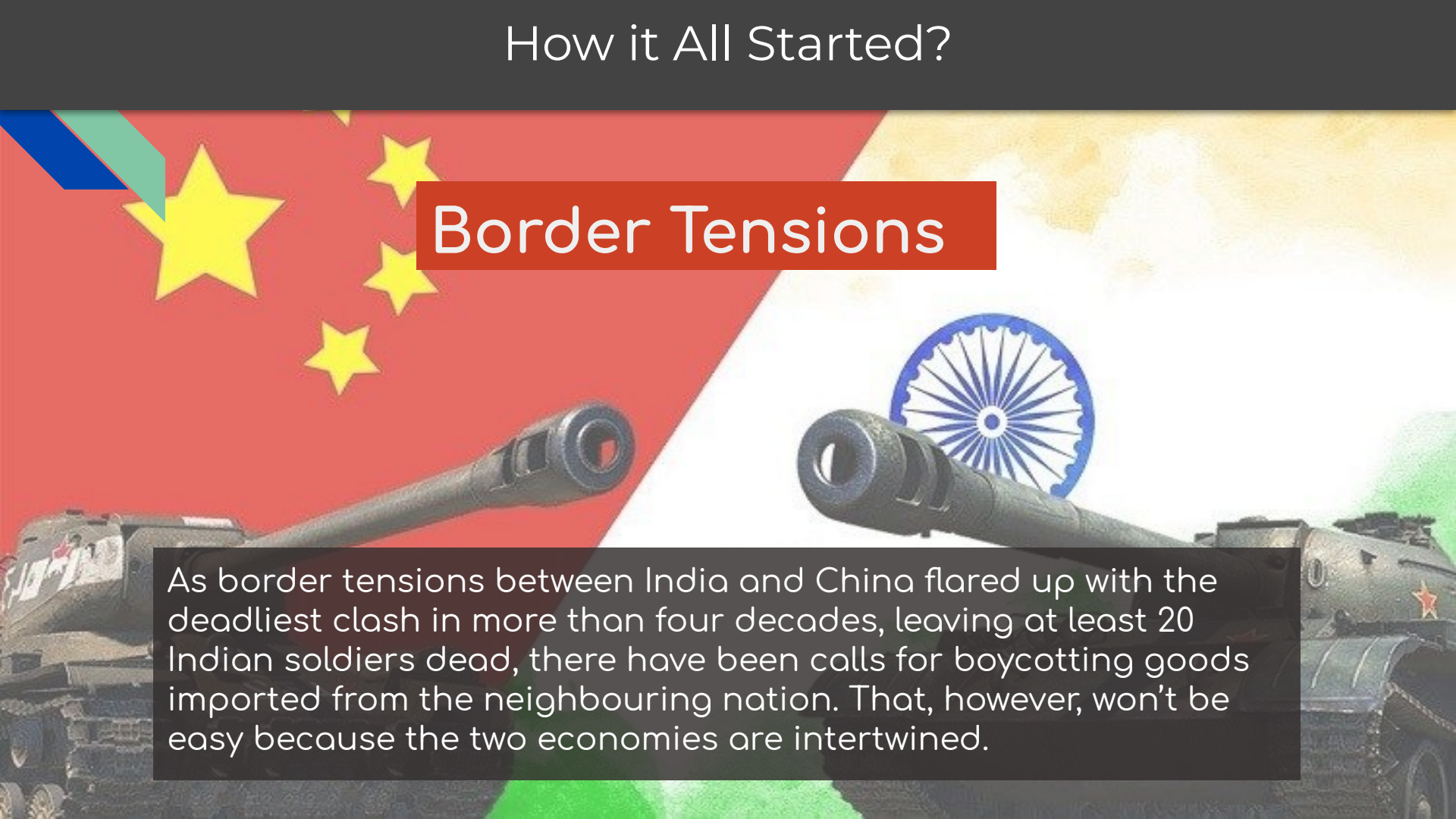
LAMP Project



**MADE IN CHINA**

# How it All Started?

## Border Tensions



As border tensions between India and China flared up with the deadliest clash in more than four decades, leaving at least 20 Indian soldiers dead, there have been calls for boycotting goods imported from the neighbouring nation. That, however, won't be easy because the two economies are intertwined.

# But that's not all...

This has been developing from past many years

- China is Asia's largest economy and the world's second-biggest with a GDP of about \$13.6 trillion.
- India is No. 3 in Asia at \$2.7 trillion. From supplying industrial components and raw materials to investments in India's startups and technology firms, China is India's biggest trading partner after the U.S.



# Retaliation...



China is powerful country financially with large Military power

Primitive war with China would have done much harm to India then China.

Instead India Approached with Diplomatic War against China.

And it Started



Digital  
War

# Digital War...



Rising Concerns over Data Privacy and Border Tensions led to Banning Chinese Apps.

*"Safety, sovereignty, defense and integrity of India and to protect data and privacy of people of India",* quoted a government official.

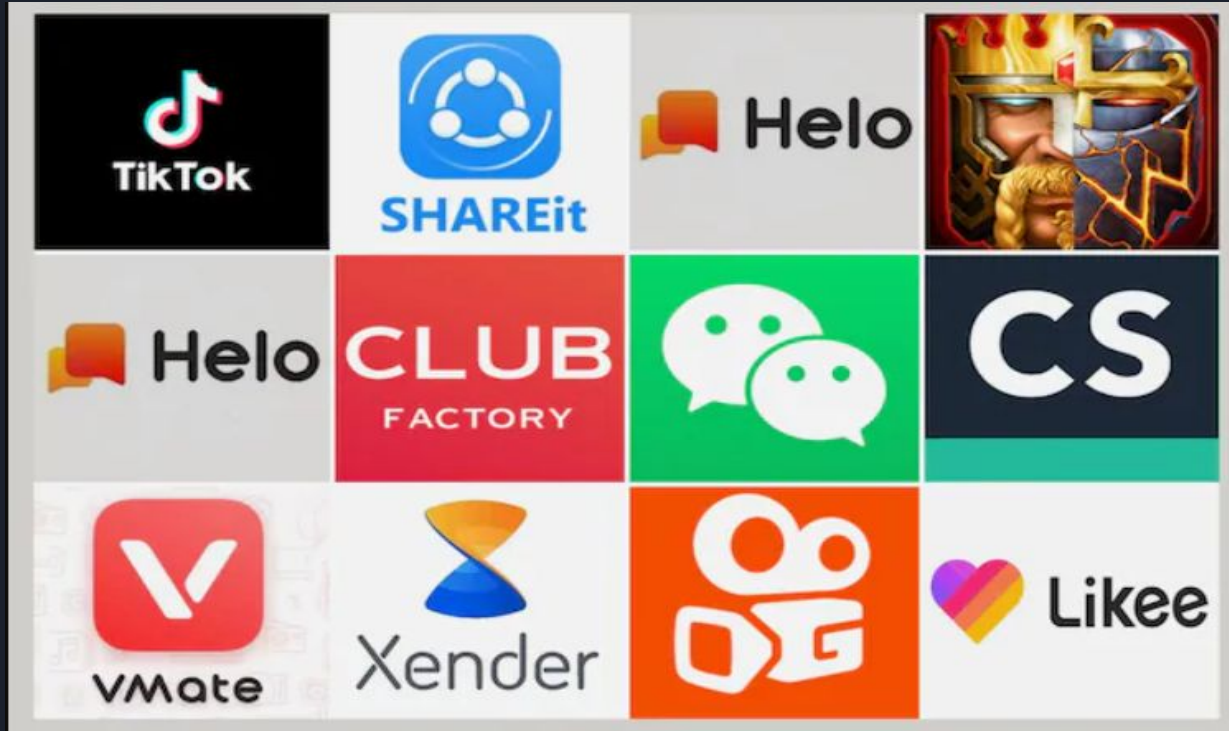
# APP Ban. Why it matters?



India is a huge market in the overall global app economy. App store research firm AppsFlyer State of App Marketing In India report in December 2019 pointed out that almost 41% of the top 200 applications downloaded in 2019 were Indian. Meanwhile, Chinese apps made up 38% of the list



# Few Popular Apps from Ban List



# Timeline of Events

June

India banned 59 Chinese Apps including CamScanner, Tik Tok, Shareit

July

India banned 47 Chinese Apps which were re-released after rebranding.

September

India banned 118 Chinese Apps including PUBG, Baidu.

# Was The Decision Easy...

Definitely Not

China being such a powerful Country could easily retaliate both with Military or Diplomatically.

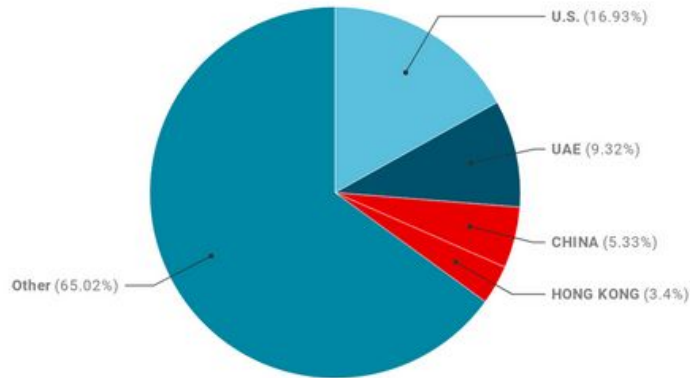
China globally controls the supply of Goods and Products which accounts for large part of India Import.

China had also played a crucial role in bankrupting India based startups and unorganised sector by dumping its product.

# India's China Trade

## India's Export Pie

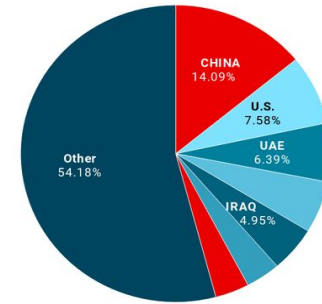
China is the third-largest export market for Indian goods as of FY19-20



## India's Import Pie

Over 14% of India's imports in FY19-20 were from China.

CHINA U.S. UAE SAUDI ARABIA IRAQ SWITZERLAND HONG KONG Other



Source: Directorate General Of Foreign Trade • Created with Datawrapper

Bloomberg | Quint

- ❑ China's Import to India has boomed 45 times since 2000 and is now major player.
- ❑ While in terms of Export China is 3rd largest Export market accounts for almost 5%.
- ❑ India runs a huge trade deficit with China.

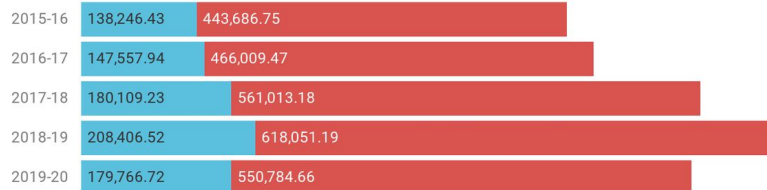


# Trade Deficit in India China Trade

## India-China Trade

India has a trade deficit with China. (Rs Crore)

Exports Imports



*Includes Hong Kong data.*

Source: Commerce Ministry • Created with Datawrapper

Bloomberg | Quint

- ❖ India's China trade deficit has been widening every year.
- ❖ India's trade deficit with China fell to \$48.66 billion in 2019-20.
- ❖ The trade deficit stood at \$53.56 billion in 2018-19 and \$63 billion in 2017-18.

## The Chinese-Indian Trade Relationship

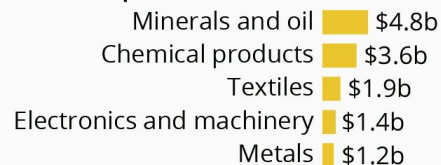
Trade in goods between China and India in 2018\*



### Chinese exports to India



### Indian exports to China



### Total exports



\* latest available

Source: UN Comtrade/BACI International via OEC/MIT



statista

# US China Trade war

Digital Warfare is not new for China.

China had been in trade war with US, and in fact there was digital war among them.



Huawei technologies was leading company in Smartphone and Telecom Industry.

On US President Executive order, Huawei was banned completely from doing business with US based companies like Android, Corning, Intel, etc over the concern of it being spying on US citizens and can be a potential threat.

## Impact of it ...



Huawei could no longer use Android for their Smartphones.

Also it can no longer do business with Qualcomm and Intel for Chipsets for Laptops and Smartphones.

As a result of it, Huawei was completely unrooted from being a leading smartphone company. This affected their global sales heavily. The ban wiped off 30 Billion from Huawei's revenue.

# What's for India ...



**A major aspect of the US/China trade war is IP theft, something that has dogged Huawei's reputation for decades.**

This is somewhat similar to India's situation where Govt. agencies are concerned regarding Chinese Technologies over spying and stealing Indian Citizens data.



# SmartPhone Dominance



Chinese smartphones brands, led by Xiaomi, Vivo and Oppo, are market leaders in India with an estimated 72% share put together, leaving Samsung and Apple behind, according to a report by Gateway House. Quarterly data by Counterpoint corroborates this.

# Why this Matters?

Majority of Apps in ban list were popular for the reason being they came pre-installed on these brand smartphones.

India's digital audience is largely Smartphone based. So, Smartphone and it's technologies is going to affect mass.



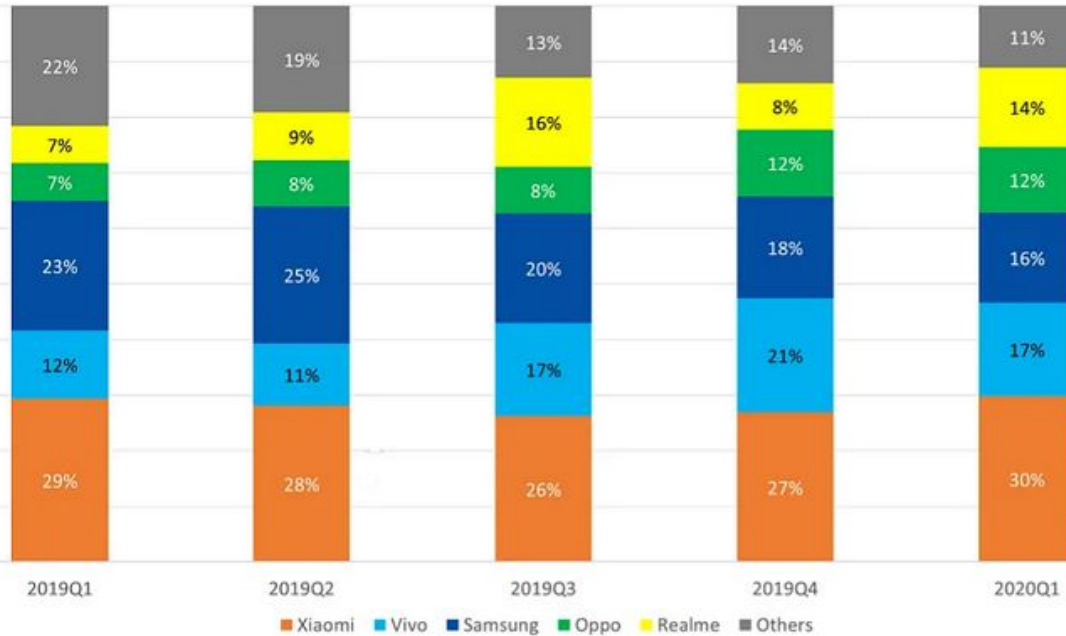
# Chinese Investment In India's Smartphone Industry

Chinese players including Xiaomi, Oppo, Vivo, Realme and OnePlus have cornered around 80% of the entire Indian smartphone market.

They have invested heavily and moved productions to India. Although they basically assemble parts here, still have been providing employments to a many people.



## India smartphone shipments market share



Chinese Brands Dominate



# Chinese Investment In India

- ★ Foreign direct investments from China come to metallurgical industries, renewable energy (solar panels), electrical equipment, automotive and chemicals.
- ★ According to Invest India, there are roughly 800 Chinese companies in the domestic market.
- ★ They have roughly 75 manufacturing facilities for smartphones, consumer appliances, construction equipment, power gear, automobiles, optical fibre, and chemicals.



# Chinese Hooks In Indian Startups

- ❖ Chinese funds and companies often route their investments in India through offices located in Singapore, Hong Kong, and Mauritius.
- ❖ Like for Eg. Alibaba Group's investment in Paytm came via Alibaba Singapore Holdings Pvt. These don't get recorded in India's government data as Chinese investments, the report said. "In several cases, the investment in India hasn't been made in the name of the Chinese entity/investor, and is, therefore, difficult to trace."



# India' Unicorns with Chinese Investors

Chinese tech investors have put an estimated \$4 billion into Indian startups, according to the report. As of March 2020, 18 of India's 30 unicorns are Chinese-funded.





# Case Study

A Closer Look at Bigger Picture





PLAYERUNKNOWN'S

BATTLEGROUNDS

MOBILE

# IMPACT OF BAN IN INDIA AND AFTERMATH

GamingonPhone

# PUBG Mobile

Was Most Popular Game in India. Reason being...

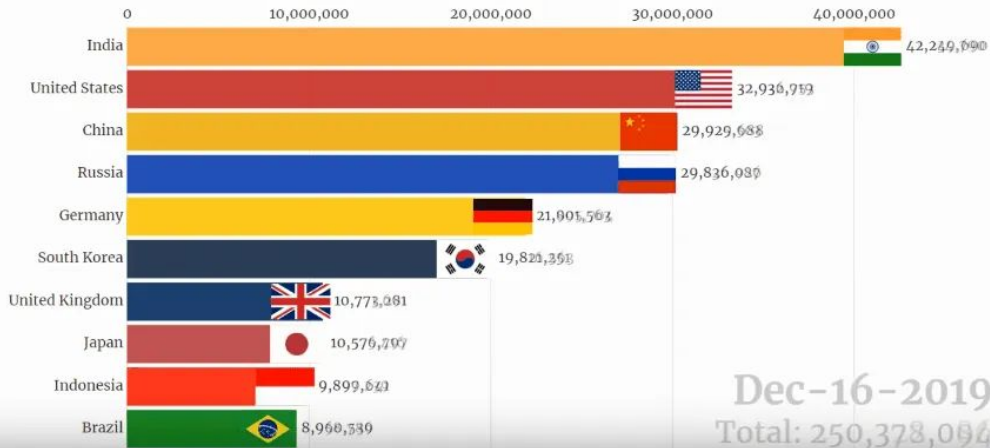
1. You could play it on a Phone under Rs. 10,000.
2. The voice/chat and team-up facility makes it more popular.
3. Crores of Indians who don't have access to high end laptop could play this game.
4. Smartphone market completely changed after Jio entered Telecom market.

# Impact of Ban in India

PUBG Mobile ban impact was significant not only in china but also in india.

PUBG Mobile downloads in India alone was 200 millions.

**Top PUBG Playing Countries**



Key driver of India Gaming and Sports Market.

Impacted many Professional Gamers and Streamers.

PUBG ban may affect future funding from Chinese investors.

# Impact on China

PUBG breaks ties with China-Based Tencent Company for Indian operators.



Tencent has lost about 34 billion USD in the starting weeks.

Shares of the company fell by 2%.

Due to ban tencent loses the market value of 14 billion USD.



# A foundational structure to Indian Gaming




Esports in india had been concentrated around PUBG Mobile.

PUBG Mobile made Indian teams and Indian gaming community quite popular not just in India.

Many Players took PUBG professionally.

# Effect on eSports Teams and Players




Many popular eSports teams from India who have won Championships globally are now looking for alternatives.

Professional players who were getting fairly paid for playing had come to halt.

Many Foreign Companies like Fnatic, TSM, Nova, etc have stopped investing in Indian Gaming for now.



# Ban as an opportunity?



Industry sees opportunity for Made in India Apps and other battle royale games.

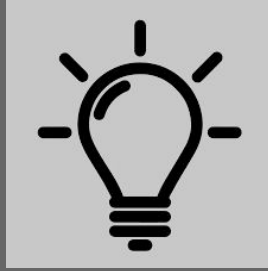
The Ban makes room for other games and genres.

An opportunity for Indian game developers to build an app like PUBG

PUBG ban brings opportunity for Indian gaming firms to boost their domestic market share



Looking at Bright Side



App Ban have Created a Void.

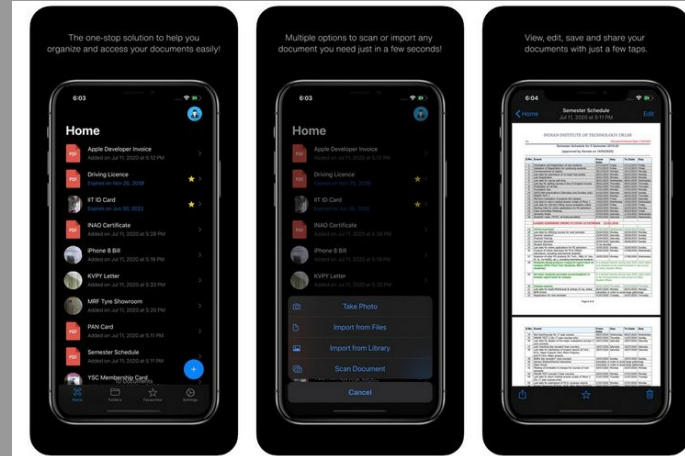
Void => Opportunity

# Ban As An Opportunity

IIT Delhi had come of with Cam Scanner alternative DocStack

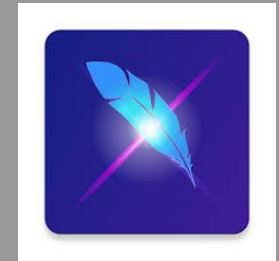
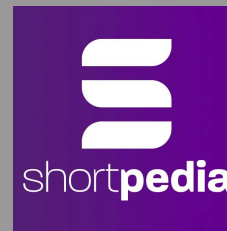


भारतीय प्रौद्योगिकी संस्थान दिल्ली  
Indian Institute of Technology Delhi



# Ban As An Opportunity

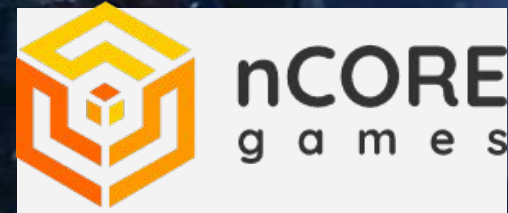
Indian alternatives have also took this as an opportunity.



*'Vocal for Local'* and the ban on Chinese apps, is surely going to be a boon for Indian Apps.

# Ban As An Opportunity

Indeginious players are also looking forward and have come up with PUBG's alternative.



This game is developed by Bengaluru based nCore Games.



# Shift of Digital Market

Trade war and Global Pandemic has led to Global Supply chain disruption and India is being looked as better alternative

Reason Being...

Large and Cheap Workforce.

Govt. has been offering Subsidies.

Open regulatory regime.

PLI Scheme





**MAKE IN INDIA**

# Make In India Drive



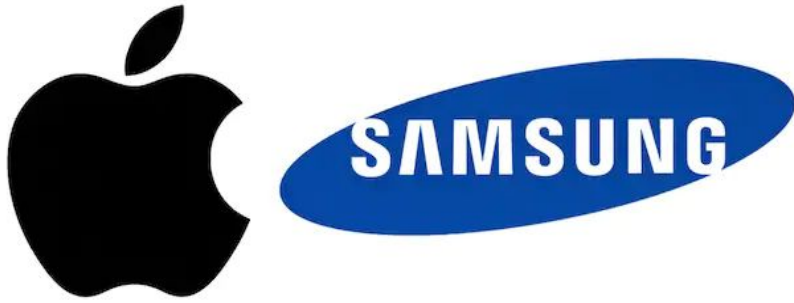
19 out of 36 companies have plans of investment over \$10bn - \$12bn

# As a result...

Many Foreign tech Companies are re-allocating parts of there Production in India.

India is emerging as new Global Hub in smartphone industry.

Tech Giants like Samsung have completely shifted to India.



Top Apple suppliers like Foxconn, Wistron are about to invest 900mn.

# Revival Of Indian Players...

Boycott China sentiments have played a crucial role in revival of Indian Players like Micromax.



PLI Scheme of Govt. has also played a pivotal role in comeback.

Soon we could see more Indian Players in our Market. Lava had already announced it's comeback.



# Micromax Revival



Micromax Revival is an perfect example for *Aatma-Nirbhar Bharat*

In just 6 months it raised it's production and marked its presence by launching 2 Smartphones in competitive segment.

Now almost (60%) of its components are locally manufactured or sourced locally.



# Masterstroke...



Revival wasn't easy...

**ELECTRONICS INDIA**  
**SCALING NEW HEIGHTS**

**THE PRODUCTION LINKED INCENTIVE SCHEME (PLI) WILL BRING :**

-  Additional investment in electronics manufacturing to the tune of INR 11,000 crore.
-  Will generate approximately 3 lakh direct employment opportunities in next 5 years along with creation of additional indirect employment of nearly 3 times the direct employment.
-  Domestic Value Addition is expected to grow from the current 15-20% to 35-40% in case of Mobile Phones and 45-50% for electronic components.



**Ministry of Electronics & Information Technology**  
Government of India

**ELECTRONICS INDIA**  
Office: New Delhi, India

PLI Scheme of Govt. has also played a pivotal role in comeback of Indian companies and bringing foreign Investments.



# But it's Not Limited to that

Samsung had completely moved its Display production plant from China to India.

How is this going to impact China?



India will now have control on displays Globally.

India is also aiming at tapping Lithium reserves in Australia and Bolivia for making batteries, again a crucial component in Smartphone, whose supply was previously controlled by China.



WHAT  
LIES  
AHEAD?

# Towards Aatma-Nirbhar

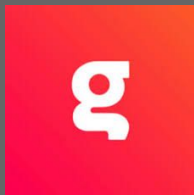
PCB an important component in smartphone is still being sourced from China.



Most of the components like Memory Chips, PCB requires robust and sophisticated infrastructure, which is still a challenge.

# Ban a Gold Mine for India's Silicon Valley

App ban has left a Void in indian App market for sure.



What can fill the void?



Local startups like **Glance** which offers games, news or **Byjus** which provides education digitally, have grabbed this opportunity and have scaled up.

Mukesh Ambani's Jio is not much behind in this race. It had come of with it's own alternative.

# Conclusion



App Ban might have impacted India in short run but it's going to be a big Boon in long run.

Lots of Indian startups are coming with alternatives which is eventually going to contribute to Indian Economy.

**Make In India** got a phenomenal boost.

Though the journey might not be easy, India will surely emerge as World Leader.



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Thanks to these  
wonderful people.



Dr. Sunil Paul  
Assistant Professor  
School of Humanities  
and Social Sciences  
IIT, Goa



Dr. Santosh Kumar  
Assistant Professor  
School of Physical  
Sciences  
IIT, Goa



# Good Day!

I wish you have a great day at home

