

DECOUPLING OF THE INDIAN ECONOMY FROM CHINA: LOOKING FOR ALTERNATIVE VENDORS

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ABSTRACT

This paper seeks to understand the effects of Decoupling from China on the Indian economy and seeks to look for ways to minimize the negative effects of decoupling on our supply and availability of certain necessary imports by looking for suitable alternative countries which can replace China as vendors. This has been done so by taking India's top 10 trading partners along with 3 additional nations and using multivariate analysis. In the end, after finding out the alternative nations, we shall conclude as to how India should engage with these alternative countries.

Introduction

In response, to the recent events involving the escalating tensions between India and China at the border areas of Galwan valley, there has been an increasing trend of boycotting Chinese products. The Government of India(GoI),headed by Hon'ble Prime Minister, Shri Narendra Modi has also responded to the Chinese intrusions by banning the access to Chinese smartphone apps like Tiktok, Camscanner and UC Browser. Thus, emphasizing on the need to reduce the dependence on goods imported from China(or what we can refer to as 'Decoupling from China'). The government has again stressed on the need for self-reliance after coming up with initiatives like 'Make in India' and the new 'Atmanirabhar Bharat'.¹ However, many Indian companies especially from the Indian Active Pharmaceuticals and Automobile Industry are heavily dependent on low-cost raw material imports from China.² Representatives of these industry

¹<https://indianexpress.com/article/technology/tech-news-technology/china-apps-ban-tik-tok-india-smartphones-6490460/>

²<https://indianexpress.com/article/explained/china-boycott-india-pharmaceutical-industry-6489330/>

associations have expressed their concerns as to how decoupling from China can disrupt production and thereby lead to decrease in the supply of their final products to the market as these companies have no alternative vendors to buy raw material from. Also, Indian start-up unicorns are likely to be affected by decoupling as 18 out of 30 startup unicorns have received funding from Chinese investors.

In this paper, we shall examine whether the negative impacts of decoupling will outweigh the positive impacts. Also, we would be finding out the possible alternative nations with whom India can strengthen trade ties to reduce its dependence on China. On this basis, we shall conclude as to whether it is a viable solution to decouple from China amidst the escalating tensions from the economic point of view.

Literature Review & Research gaps

According to Nilanjana Kumar(2014), India's relationship with China, since 16th century, has strengthened with passage of time. Besides, trade relations both countries have been sharing strong bond of cultural exchange. The paper had been compiled with a view to analyse the change in trade relation of India and China from pre-to-post liberalisation period. The paper also threw light on comparative advantage of India over China's agricultural exports, along with the analysis of trade intensity of our country with China.

In Taneja, Wadhwa & Bimal(2015) two key issues are explored here:(i) What has constituted the trade deficit between India and China? (ii) How can this deficit be bridged? In the latter case, there are three options to deal with the trade deficit problem. First, India could curtail imports from China; second, it could boost exports to China; and, third, India could seek more investment from China. Research gaps: This journal article published by EPW answers these three questions by saying that curtailing goods from China would not be a viable solution as India's imports from China comprises intermediate and capital goods used by Indian industry. Clearly, these intermediate inputs at competitive rates from China are essential for India's manufacturing sector to meet domestic demand and exports, and would contribute towards the industrialisation process and therefore should not be curtailed and exports of iron ore to China should be boosted as iron ore comprises 32.9% of the total exports to China. But at the same time the paper argues that increased investment from China would improve India's domestic manufacturing sector. However, this article fails to consider the fact that China has been dumping its products in African countries and the local industries have been destroyed. Also, when there's a massive share of Chinese investments in the domestic economy, the host country is forced to follow the Chinese demands.

Sravanakumar&Muralidhar(2018) states that China-India trade relations are the most important part of bilateral relations between India and China. This paper argues that from a temporary decline in the influx of Chinese imports in the Indian markets, the scenario seems to have changed and now,India is enjoying a positive balance of trade with China. Indian exports to China are ores, ash, iron and organic chemicals, etc. Chinese exports to India are electrical machinery and equipment, nuclear reactors and oils, etc. The paper also emphasises on the increasing deficit in the energy sector and the competition to capture new markets present major challenges to sustaining this boom in their bilateral trade. It remains India's largest import source and its third-largest export destination. The fact that both countries signed an agreement in September 2014 to achieve bilateral trade balance by 2019, is also highlighted. However, by focussing on trade relations alone,the paper ignores the effect that tensions on the border tend to have an impact on the trade relations as such issues would deter India or China from improving their trade relations.

Panda & Barua(2019) talks about Indo-China trade relations by mentioning the fact that China does have a trade surplus with India and any action taken to address this imbalance results in China dumping it's goods in India. The paper also argues that India must participate more through the Asian Infrastructure Investment bank(AIIB),in order to make it's presence more felt in Asia. The paper also considers the impact of other geopolitical factors such as the U.S.-China trade war and the China-Pakistan Economic Corridor on the trade relations between India and China. The recent events have been well-covered but despite raising important questions as to how India can diversify it's imports from China without aggravating it's trade imbalance with China or what are the platforms in India for diversifying it's domestic production in order to shrink the 'made in China' label, the paper does not give any suggestions. In addition, the idea that India's participation in Asia-centric groups should increase but certain Asian partnerships such as the(Regional Comprehensive Economic Partnership) RCEP and the One Belt One Road Initiative(OBOR) have raised a lot of questions of India's territorial integrity and also some degree of skepticism regarding any form of Asian cooperation.

Vani Archana(2019) suggests that complete elimination of tariffs by both countries would lead to better terms of trade for the two countries. Also, the paper has managed to find out the areas in which India has a comparative advantage using the Trade Complementarity Index. The paper further proves that free trade between India and China would lead to India gaining more in terms of welfare and China from wealth. An FTA between India and China is favourable but again, diplomatic relations and foreign policy goals of each of the two countries will once again impact the implementation of such agreements. Additionally, the impact of an FTA between India and

China would lead to the local industries of the two countries to be affected in a negative way. A good example would be India's smartphone industry.

Kunal Sen et al(2020) has pointed out how India has improved in the World Bank's ease of doing business rankings in 2015 but these rankings do not show the true picture of the business environment in India. There have been instances where it takes lesser number of days for medium sized firms to get operating licenses and construction permits than what the WB rankings say. Using novel methodology and self-reported data on the actual number of days taken to get a license and a construction permit, this paper proves that the actual number of days for companies to obtain an operating license and construction permit is far less than what is given in the de jure regulatory rules in India. Also, the de jure institutional reforms initiated by the central government in order to promote 'Make in India' are less likely to succeed when de facto deals characterise the institutional environment more than the de facto rules and when the quality of governance is weak and prone to capture by the business sector.

Sunil Man(2020) focusses on ways to develop the mobile manufacturing industry in India. There is evidence to show that domestic production of mobile phones has registered some significant increases since 2015–16. However, these are largely by MNCs based on imported parts. As such, no domestic production or innovation capability has been created or is in the offing in the foreseeable future. This dependent development has led to India's technology trade deficit increasing on account of increased royalty and licence fee payments, besides dividends and profits being repatriated abroad. The findings of this paper further reveal that while we have started making mobile phones in India to reverse the growing trade deficit in telecommunications equipment, this is leading to increased imports of parts and a worsening GVA to GVO ratio. So, domestic manufacturing does not seem to be an antidote to reducing the growing trade deficit in the merchandise account of India's balance of payments. The telecommunications revolution is leading to a dependent form of development. Given the lack of innovation capability, the dependent form of development that India is currently forced to follow is likely to continue. The only way that this can be reversed is for the country to make a wholehearted attempt at reviving the public laboratory, C-DOT to focus on recent trends and innovations in mobile communication technology. This paper is quite relevant to the topic of discussion as Electronic goods such as Cell Phones in India are mostly imported from China.

Datta & Selvaraj(2020) Health technology has come to occupy a central place in the medical industry. But, it is also recognised that use of medical devices is one of the major drivers of healthcare expenditure growth. An increase in the use of imported medical devices and equipment with limited domestic production capacity of these devices is expected to contribute to

catastrophic health expenditure. India has a small indigenous medical devices manufacturing industry. About 70% of the total domestic need for medical devices and equipment is served through imports. Unlike developed countries, the medical devices market in developing countries like India is price-sensitive. As a result, there is a strong emergence of the market for refurbished medical devices. Thereby, the task of any government in developing countries like India is not only the promotion of domestic production of medical devices, but also equipping its regulatory framework to monitor the quality of the imported and domestically produced medical devices to protect people's health from profit-seeking "fly by night" manufacturers or vendors. The paper is relevant to our topic as we purchase optical goods from China which are used for medical purposes.

What does it mean to decouple from China?

Due to the rising tensions between India and China and also because of increased Chinese intrusions into Indian territory, there is a growing wave of resentment against China which has been displayed by Indian consumers as they have called for a nationwide boycott of Chinese products. The Government of India also went ahead with banning Chinese apps such as the trending social media app – Tiktok which had over a million users from India.³ These moves to further reduce India's dependence on Chinese imports would subsequently lead to a complete ban on Chinese products in India. As mentioned before, 70% of the Active Pharmaceutical Ingredients (APIs) in India come from China. The apprehensions of a complete ban has raised concerns from the Pharmaceutical Industry Associations regarding the effect that a complete ban will have on the production of medicines. While the demand for boycotting Chinese goods may make for good optics, at this critical juncture, there is need to exercise caution, and for a considered approach. The harsh reality is that economic retaliation will have its own set of consequences. As India accounts for a minuscule share of China's export market, it will at best have limited impact on China.⁴ And the implications for India of such actions will play out at multiple levels. Also, considering the possible negative impacts that a complete ban on Chinese products will have on the supply of imports, it is essential that India tries to diversify its import vendors before going ahead with a complete ban. But here's the question: Which countries can serve as an alternative import vendor to China? Which one is the best alternative. How does India go ahead with engaging with these alternatives? These are some of the questions which we

³ <https://indianexpress.com/article/opinion/editorials/india-china-stanoff-chinese-investment-telecom-sector-economic-retaliation-6465587/>

⁴ <https://www.livemint.com/market/mark-to-market/india-s-trade-balance-with-china-doesn-t-bode-well-for-a-boycott-11592412742390.html>

shall seek to answer in order to minimize or ideally, even negate the impacts of decoupling from China. It is to be noted here that we only looking at the imports of merchandise goods and services.

Procedure

Here, we are finding out the list of India's top 7 Imports from China so as to find out whether there are other alternative nations among India's top 10 trading partners which include:

1. China
2. United States(USA)
3. United Arab Emirates(UAE)
4. Hong Kong
5. Singapore
6. Saudi Arabia
7. Germany
8. South Korea
9. Indonesia
10. Iraq

Along with these,3 countries such as UK, Taiwan and Japan have also been added, from where we can increase the import of the 7 commodities. The reason for considering the UK is that the United Kingdom is looking forward to signing a Free trade Agreement with India⁵ while Taiwan and Japan are the two Asian tigers located close to China and are experiencing bilateral tensions with China.⁶The top7 commodities are as follows:

- 1) Artificial resins, plastic materials etc.
- 2) Organic chemicals
- 3) Iron & Steel
- 4) Coal, coke & briquettes
- 5) Electronic Goods
- 6) Electrical machinery⁷
- 7) Optical Goods

Data

Imports Data collected from the Centre of Monitoring of the Indian Economy. Time period taken 1996-2020. Figures expressed in USD million.⁸

Methodology

⁵ https://www.hindustantimes.com/india-news/india-and-uk-to-finalise-early-harvest-trade-deals-by-2021-ahead-of-comprehensive-fta/story-5uJXlXlae71Xqdg9Zcei6J_amp.html

⁶ <https://www.reuters.com/article/japan-usa-taiwan-china-idUSL4N2J50JX>

⁷ <https://tradedat.commerce.gov.in/eidb/Icntcom.asp>

⁸ <https://ezproxy.svkm.ac.in:2200/kommon/bin/sr.php?kall=wreport&tabcode=001055044000000000&oporder=0>

We use Multiple Regression Analysis for each of the 5 commodities wherein we find out India’s imports of that commodity from the world and take that as a dependent variable. This dependent variable is then regressed on India’s imports of that commodity from each of it’s top 10 trading partners and the additional countries taken into consideration. We find the results at 5% level of significance and for each country we find out the corresponding p-value and t-stat. If the t-stat is greater than the absolute value of 2 and the p-value is equal to or less than 0.05, then we can say that importing a particular commodity from that country has a significant impact on India’s imports of that commodity from the world. Thus that country would be considered as an alternative in the analysis.

Results

1). Artificial resins and Plastics

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
Intercept	-89.2309	159.8883	-0.55808	0.587966	-441.143	262.6809	-441.143	262.6809
China	1.178476	0.117785	10.00531	7.35E-07	0.919233	1.43772	0.919233	1.43772
USA	0.824269	0.254487	3.238943	0.007889	0.264147	1.384392	0.264147	1.384392
Korea Republic (South)	1.567746	0.260332	6.022102	8.65E-05	0.994759	2.140733	0.994759	2.140733
Singapore	1.33502	0.299488	4.45767	0.000966	0.675851	1.994189	0.675851	1.994189
Saudi Arabia	1.652873	0.243409	6.790514	2.99E-05	1.117133	2.188613	1.117133	2.188613
Japan	0.111123	0.835979	0.132925	0.896653	-1.72885	1.9511	-1.72885	1.9511
Taiwan (Taipei)	1.889281	1.345037	1.404632	0.187734	-1.07112	4.849687	-1.07112	4.849687
Germany	2.723779	0.738624	3.687638	0.003578	1.098078	4.34948	1.098078	4.34948
Indonesia	3.537048	1.250997	2.827384	0.016449	0.783623	6.290474	0.783623	6.290474
UAE	-1.25431	1.569529	-0.79916	0.441111	-4.70882	2.2002	-4.70882	2.2002
Hong Kong	19.72428	3.225254	6.115574	7.57E-05	12.62554	26.82301	12.62554	26.82301
UK	3.191408	2.27136	1.405065	0.187608	-1.80782	8.190638	-1.80782	8.190638

As we can see in the given results, we can see that a \$1mn increase in the value of the imports of Artificial resins and Plastics from each of the countries like Singapore, South Korea, US, Taiwan, Japan and Saudi Arabia and would have a positive impact on the value of India's

imports of Artificial resins and plastics from the rest of the world. Best Alternative would be the USA as it would have the least positive impact on the imports from the world and that would minimize the reduction of the net exports of this commodity.⁹

2) Organic Chemicals

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
Intercept	-99.081288	63.35277601	-1.56396	0.146121	-238.51981	40.357232	238.51981	40.3572319
China	0.695233002	0.237159126	2.931504	0.013654	0.17324929	1.2172167	0.1732493	1.21721672
Korea Republic (South)	1.735072426	0.331498456	5.234029	0.000279	1.00544924	2.4646956	1.0054492	2.46469561
Singapore	3.048555155	0.999726241	3.04939	0.01106	0.84817253	5.2489378	0.8481725	5.24893778
USA	2.601916499	0.455875099	5.707521	0.000137	1.59854217	3.6052908	1.5985422	3.60529083
Japan	2.324036512	0.728288291	3.191094	0.00859	0.72108479	3.9269882	0.7210848	3.92698823
UAE	0.066616043	0.807931936	0.082453	0.935768	-1.7116302	1.8448622	1.7116302	1.84486224
Taiwan (Taipei)	1.807872239	0.52444227	3.447228	0.005455	0.65358259	2.9621619	0.6535826	2.96216189
Saudi Arabia	0.602919888	0.262710207	2.295	0.042403	0.02469862	1.1811412	0.0246986	1.18114116
Germany	0.371587797	1.338148536	0.277688	0.786402	-2.5736573	3.3168329	2.5736573	3.31683287
Hong Kong	-3.71066965	2.370833554	-1.56513	0.145847	-8.9288391	1.5074998	8.9288391	1.50749982
UK	1.900715203	2.950408688	0.644221	0.532635	-4.5930905	8.3945209	4.5930905	8.39452094
Indonesia	-1.17377119	2.068245965	-0.56752	0.581758	-5.7259499	3.3784075	5.7259499	3.37840749

As we can see in the given results, we can see that a \$1mn increase in the value of the imports of Organic Chemicals from each of the countries like South Korea, US, Singapore, Saudi Arabia, Hong Kong, Germany and Indonesia would have a positive impact on the value of India's

⁹ As a reduction in the net exports of a commodity would lead to a reduction in the overall net exports and therefore a reduction in Gross Domestic Product(GDP).

imports of Organic Chemicals from the rest of the world. Best Alternative would be Saudi Arabia as it would have the least positive impact on the imports of Organic Chemicals from the world and that would minimize the reduction of the net exports of this commodity.

3) Iron & Steel

	<i>Coefficient</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
Intercept	243.5944	193.411	1.25946	0.23393	-182.1	669.289	-182.1	669.289
Korea Republic (South)	2.326775	1.169826	1.988993	0.072151	0.247994	4.901544	0.247994	4.901544
China	1.033965	0.376916	2.743224	0.019121	0.204379	1.863552	0.204379	1.863552
Japan	-1.82246	0.904876	-2.014049	0.069119	-3.81408	0.16916	-3.81408	0.16916
Indonesia	-1.11182	1.815922	-0.61226	0.552819	-5.10864	2.884997	-5.10864	2.884997
UAE	1.724661	4.282391	0.402733	0.69486	-7.70082	11.15014	-7.70082	11.15014
USA	3.301415	2.218297	1.48826	0.16477	-8.18385	8.18385	-8.18385	8.18385
Singapore	4.874855	3.91144	0.765466	0.460108	-18.8917	18.8917	-18.8917	18.8917
UK	3.328111	6.368483	0.51956	0.60303	-9.14207	8.14207	-9.14207	8.14207
Germany	4.174623	1.581055	2.640403	0.022977	0.694744	7.654502	0.694744	7.654502
Taiwan (Taipei)	8.400162	11.85588	0.708523	0.493362	-34.4947	34.4947	-34.4947	34.4947
Hong Kong	-17.0301	10.9638	-1.5533	0.14863	-17.6944	7.10113	-17.6944	7.10113
Saudi Arabia	4.160324	3.096241	1.343669	0.206116	-41.1613	6.1613	-41.1613	6.1613

As we can see in the given results, we can see that a \$1mn increase in the value of the imports of Iron & Steel from a country like Germany would have a positive impact on the value of India's

imports of Fertilisers from the rest of the world. Since, it's the only alternative nation, it would be counted as the best alternative nation.

4) Coal, Coke & Briquettes

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
Intercept	1124.391	416.6739	2.698492	0.015223	245.286	2003.496	245.286	2003.496
Indonesia	1.978162	0.133209	14.85002	3.63E-11	1.697115	2.259209	1.697115	2.259209
USA	5.812577	0.680276	8.544444	1.47E-07	4.377321	7.247833	4.377321	7.247833
China	1.217617	0.587239	2.073461	0.05364	-0.02135	2.456584	-0.02135	2.456584
Japan	-6.34529	4.75119	-1.33552	0.199315	-16.3694	3.678847	-16.3694	3.678847
UK	-2.16685	37.93943	-0.05711	0.955121	-82.212	77.87834	-82.212	77.87834
Germany	106.4673	80.9503	1.315218	0.205901	-64.3229	277.2575	-64.3229	277.2575

As we can see in the given results¹⁰, we can see that a \$1mn increase in the value of the imports of Coal, Coke & Briquettes from each of the countries like US and Indonesia, would have a positive impact on the value of India's imports of Coal, Coke & Briquettes from the rest of the world. Best Alternative would be Indonesia as it would have the least positive impact on the imports of Coal, Coke & Briquettes from the world and that would minimize the reduction of the net exports of this commodity.

5) Electronic Goods

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
Intercept	-411.358	219.87	-1.87091	0.082405	-882.932	60.21657	-882.932	60.21657
China	1.124983	0.033007	34.08341	7.15E-15	1.05419	1.195775	1.05419	1.195775
Hong Kong	1.03168	0.172068	5.995785	3.28E-05	0.662632	1.400728	0.662632	1.400728
Singapore	1.671624	0.523289	3.194457	0.006492	0.549281	2.793967	0.549281	2.793967
USA	2.210922	0.398404	5.549445	7.16E-05	1.35643	3.065414	1.35643	3.065414
Korea Republic	0.786072	0.191565	4.103422	0.001075	0.375206	1.196938	0.375206	1.196938

¹⁰ For some of the commodities, the number of explanatory variables is less due to lack of availability of imports data for some of the countries taken into account in the analysis.

(South)								
Germany	0.666728	0.733004	0.909583	0.378436	-0.90541	2.238864	-0.90541	2.238864
Japan	1.565554	1.1659	1.342786	0.200708	-0.93505	4.06616	-0.93505	4.06616
Taiwan (Taipei)	3.293388	0.826031	3.987005	0.00135	1.521728	5.065047	1.521728	5.065047
UK	-0.55738	2.544525	-0.21905	0.829773	-6.01484	4.900087	-6.01484	4.900087
UAE	1.851366	0.849813	2.178558	0.046947	0.028699	3.674034	0.028699	3.674034
Indonesia	3.366236	2.467568	1.364192	0.194037	-1.92617	8.658644	-1.92617	8.658644
Saudi Arabia	-1.21495	23.74801	-0.05116	0.959921	-52.1494	49.71947	-52.1494	49.71947

As we can see in the given results, we can see that a \$1mn increase in the value of the imports of Electronic goods from each of the countries like Hong Kong, US, Singapore, South Korea, Taiwan and UAE would have a positive impact on the value of India's imports of Electric goods from the rest of the world. Best Alternative would be South Korea as it would have the least positive impact on the imports of Electronic goods from the world and that would minimize the reduction of the net exports of this commodity.

6) Electric Machinery

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	29.31022	64.02575	0.457788	0.656015	-111.61	170.23	-111.61	170.23
China	1.198426	0.094029	12.7453	6.25E-08	0.99147	1.405382	0.99147	1.405382
USA	0.889456	0.065734	13.53118	3.35E-08	0.744777	1.034135	0.744777	1.034135
Germany	2.709552	0.385539	7.027955	2.19E-05	1.860986	3.558118	1.860986	3.558118
Singapore	2.626431	1.42392	1.844507	0.092185	-0.5076	5.760459	-0.5076	5.760459
Hong Kong	0.116932	1.850684	0.063183	0.950754	-3.9564	4.19026	-3.9564	4.19026
UK	0.797767	0.642248	1.242149	0.240012	-0.61581	2.211346	-0.61581	2.211346
Korea Republic (South)	1.28841	0.456439	2.822744	0.016586	0.283795	2.293025	0.283795	2.293025
Japan	0.260938	0.679827	0.383829	0.70842	-1.23535	1.757227	-1.23535	1.757227
UAE	-1.97313	3.506974	-0.56263	0.584972	-9.69192	5.745673	-9.69192	5.745673
Indonesia	2.055026	4.2053	0.488675	0.634668	-7.20078	11.31083	-7.20078	11.31083
Taiwan (Taipei)	2.376869	3.001345	0.791935	0.445141	-4.22905	8.982785	-4.22905	8.982785
Saudi Arabia	-22.0254	20.83244	-1.05726	0.313058	-67.8773	23.82653	-67.8773	23.82653

As we can see in the given results, we can see that a \$1mn increase in the value of the imports of Electric Machinery from each of the countries like US, Germany, Singapore and South Korea would have a positive impact on the value of India's imports of Electric Machinery from the rest of the world. Best Alternative would be USA as it would have the least positive impact on the imports of Electric Machinery from the world and that would minimize the reduction of the net exports of this commodity.

7) Optical Goods

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
Intercept	-62.7985	37.53542	-1.67305	0.125264	-146.433	20.8356	-146.433	20.8356
USA	1.639779	0.407918	4.019878	0.002439	0.730882	2.548676	0.730882	2.548676
China	1.102893	0.254735	4.32957	0.001491	0.535308	1.670478	0.535308	1.670478
Germany	2.079303	0.792566	2.623507	0.025444	0.313355	3.84525	0.313355	3.84525
Japan	1.209642	0.419043	2.88668	0.016199	0.275957	2.143328	0.275957	2.143328
Singapore	-0.07861	1.466783	-0.0536	0.958313	-3.34681	3.189582	-3.34681	3.189582
UK	0.632559	0.73449	0.861222	0.409291	-1.00399	2.269104	-1.00399	2.269104
Korea Republic (South)	0.947956	0.639703	1.481868	0.169186	-0.47739	2.373304	-0.47739	2.373304
Hong Kong	4.538333	2.118671	2.142067	0.057833	-0.18236	9.259025	-0.18236	9.259025
Taiwan (Taipei)	1.723616	1.485524	1.160274	0.272888	-1.58634	5.033569	-1.58634	5.033569
UAE	0.645377	3.101477	0.208087	0.839338	-6.26514	7.555898	-6.26514	7.555898
Indonesia	-8.36084	4.902405	-1.70546	0.118922	-19.2841	2.562397	-19.2841	2.562397

As we can see in the given results, we can see that a \$1mn increase in the value of the imports of Optical Goods from each of the countries like US, Germany and Japan would have a positive impact on the value of India's imports of Optical goods from the rest of the world. Best Alternative would be Japan as it would have the least positive impact on the imports of Optical Goods from the world and that would minimize the reduction of the net exports of this commodity.

Conclusion

From the results we can conclude that for products such as:

- 1) Electric Machinery and Artificial Resins & Plastics - the United States is the best alternative.
- 2) Electronic goods - South Korea is the best Alternative
- 3) Coal products - Indonesia
- 4) Iron & Steel - Germany
- 5) Optical goods - Japan
- 6) Organic Chemicals – Saudi Arabia

However, it is advisable that for each of the products, India doesn't remain too dependent on the best alternative alone. It is necessary that we account for the possibility of any escalation of bilateral tensions between India and any of the 6 best alternatives that have been found out. Hence, it is crucial India engages in developing stronger trade ties with all the available alternatives so that it is able to easily diversify its import vendors. Thus, domestic producers or sectors which are dependent on supply of foreign raw materials are not affected.

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