

# A Study of the Prospects and Opportunities for India's Development in a Competitive Environment between the US and China

## -Based on International Trade

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### ABSTRACT

The contemporary international environment is characterised by a particularly high-profile rivalry between China and the United States, which has expanded from the economic, technological and military spheres to the global strategic level. At the heart of this rivalry lies the global influence of both countries and their visions for the international order. The United States, as a long-time global hegemon, is facing a China with a growing economy, breakthroughs in science and technology innovation, and a significantly stronger military. The U.S. will increasingly feel the risk of being overtaken and replaced by China, and will inevitably take containment measures against China while it still has the upper hand. But at the same time in its competitive environment also for the development of India's trade brings a certain wind and opportunity, such as bringing investment or trade opportunities. Overall, the general environment of Sino-US competition is complex and volatile, and the interaction between the two countries not only affects the two countries themselves, but also has a far-reaching impact on the stability and development of the global economy and trade. Against this backdrop, India needs to pay close attention to the dynamics of the US-China relationship and the competitive dynamics between the two countries in various fields around the globe, while at the same time strengthening its own strengths and enhancing its competitiveness in order to cope with the opportunities and challenges it presents.

### KEYWORDS

International trade; US-China competition; Economic systems and policies; Competitive advantages and disadvantages; Economic

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## 1. INTRODUCTION

India is one of the world's largest democracies and the world's fifth largest economy, noted for its large population and potential market. India's major trading partners include China, the United States, the UAE, Saudi Arabia, and others. These countries have close trade with India and their major exports include petroleum and petroleum products, gemstone jewellery, machinery and equipment, fertilizers, etc. India's trade deficit has always been a matter of concern. India's total imports usually exceed its total exports, leading to an increase in the trade deficit. This is mainly due to India's dependence on commodities such as energy, electronics and gold. Over the past few years, the Indian government has been trying to take steps to boost trade and trying to reach more free trade agreements with other countries. In some sectors, the government has also adopted protectionist policies to protect India's indigenous industries. The Indian government has been pushing for economic reforms in

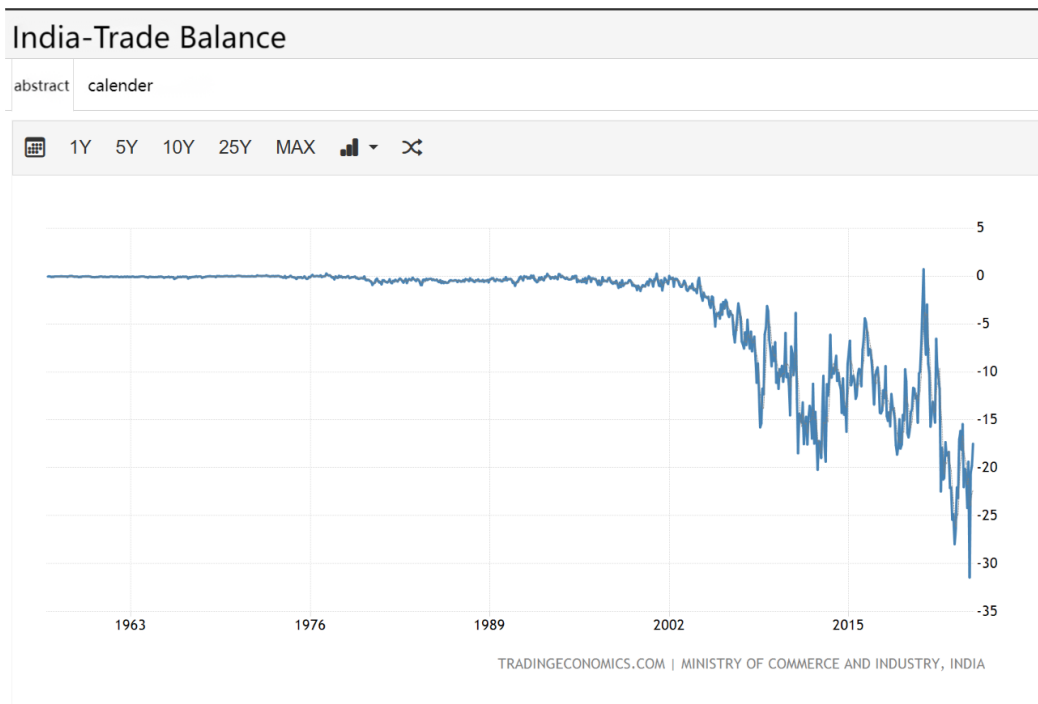
recent years in an attempt to improve the business environment to attract more foreign investment and enhance international trade co-operation. At the same time, the competitive environment between the United States and China has created a large number of windfalls and opportunities in the international market. But the development of India's international trade still faces a number of challenges, including trade deficits, trade policy uncertainty and the complexity of the business environment. However, with the Indian government's reform policies continue to promote, and open to foreign investment, etc., India's international trade development potential is still huge.

## **2. CHALLENGES FOR INDIA**

India's development is still faced with some problems, such as resources and energy, high-quality personnel, trade deficit, deficit, and pollution problems. Therefore, it needs to make a lot of adjustments and changes in the development process to achieve sustainable development.

### **2.1. India's Trade Deficit Problem**

India's trade deficit problem is a phenomenon where the value of goods and services imported by India exceeds the value of goods and services exported, resulting in a trade deficit. (See Figure 1 for details.) India has long faced the problem of a trade deficit, where imports are greater than exports, and this has created a number of challenges and pressures on the Indian economy. For example, according to the Global Trade Observation System (GTF) data, its import and export of energy products have increased in volume and decreased in price, and exports of electromechanical products have achieved growth against the trend [1]. The main reasons for India's trade deficit problem include: import dependence: India is dependent on the import of some key commodities and raw materials, such as oil, metal minerals and so on. As for exports, India's manufacturing development is relatively lagging behind, and the value-added of export products is not high, making it difficult to obtain higher prices in the international market. Trade policy: India has taken some measures on trade policy, such as imposing tariffs on imports, restricting imports and so on, resulting in an international trade environment that is not open and liberalised enough, which affects India's export competitiveness. A number of problems such as. The problem of trade deficit has posed some challenges to India's economy such as reduction in foreign exchange reserves, tensions in trade partnerships, and impact on economic growth. Overall, solving the trade deficit problem is an important issue in India's economic development, which requires the government and relevant departments to take effective policies and measures to balance imports and exports, enhance international competitiveness, and achieve economic stability and sustainable development.



CAL	GMT	DATE	Present value	Previous data	consensus
2024-01-15	11:40 AM	Dec	\$-19.8B	\$-20.58B	\$-21B
2024-02-15	08:15 AM	Jan	\$-17.5B	\$-19.8B	\$-20B
2024-03-15	10:00 AM	Feb		\$-17.5B	

**Figure 1.** Indian trade balance statistics

The chart shows that India's trade balance has been declining and becoming negative since about 2002, which has had an impact on India's development in the following ways:

(1) **Decrease in foreign exchange reserves:** India's trade deficit has led to a decrease in its foreign exchange reserves as India needs to pay more foreign exchange to purchase imports and pay its external debt. This may affect India's ability to pay in the international market, leading to an imbalance in the balance of payments.

(2) **Domestic industry shocks:** India's trade deficit leads to greater competitive pressures on domestic industries, as imported goods and services are often priced more competitively than domestically produced products. This may lead to a reduction in the market share of domestic industries and even problems such as closures and unemployment.

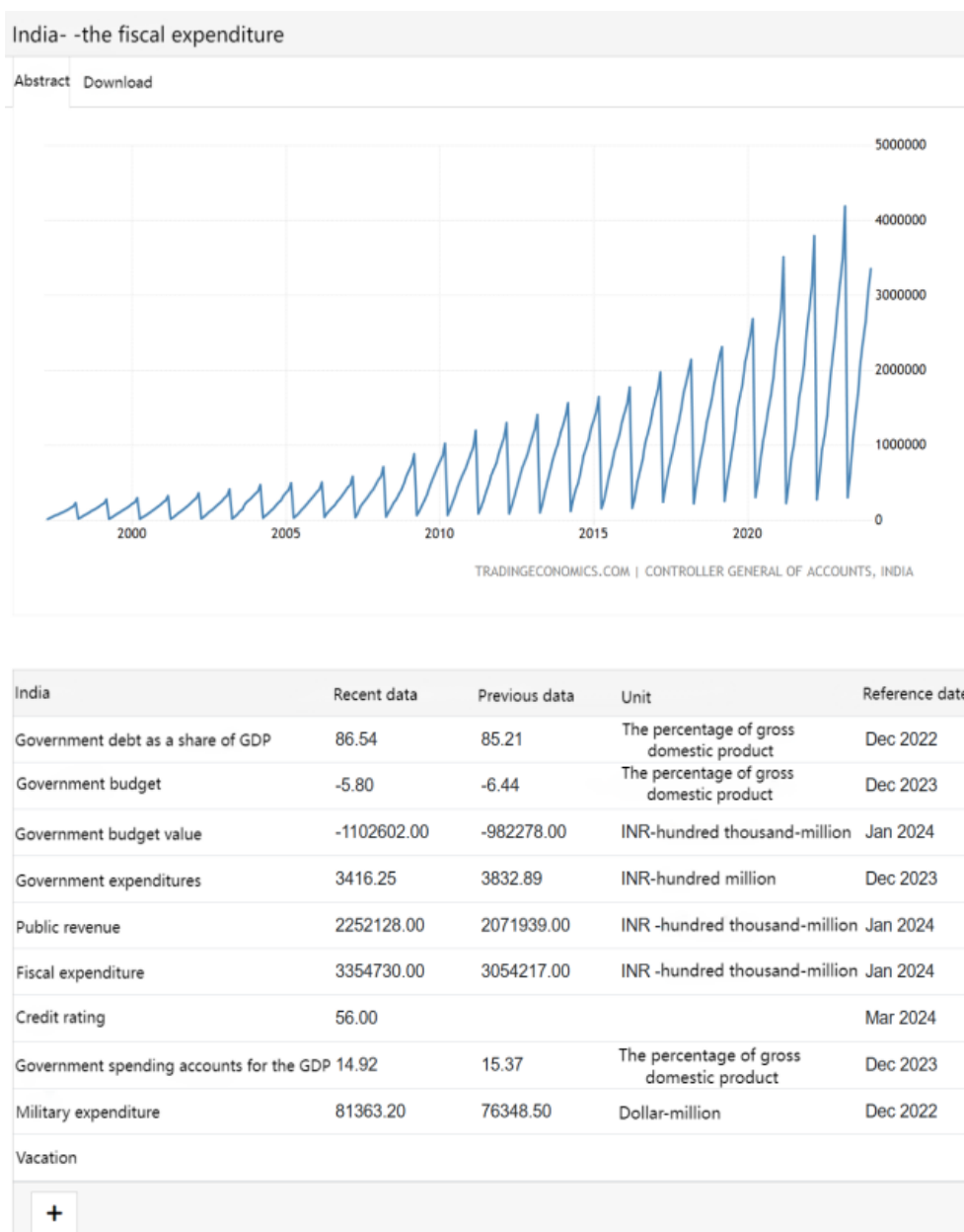
(3) **Slowdown in economic growth:** India's trade deficit has put some pressure on its economic growth, as it means that domestic demand is not being met, leading to a reduction in domestic consumption and investment and a slowdown in economic growth.

(4) **Tensions in international trade relations:** India's trade deficit may lead to tensions in trade relations with other countries, as India needs to import large quantities of goods and services while exporting relatively few. This could lead to trade frictions and disputes, affecting India's trade relations with other countries.

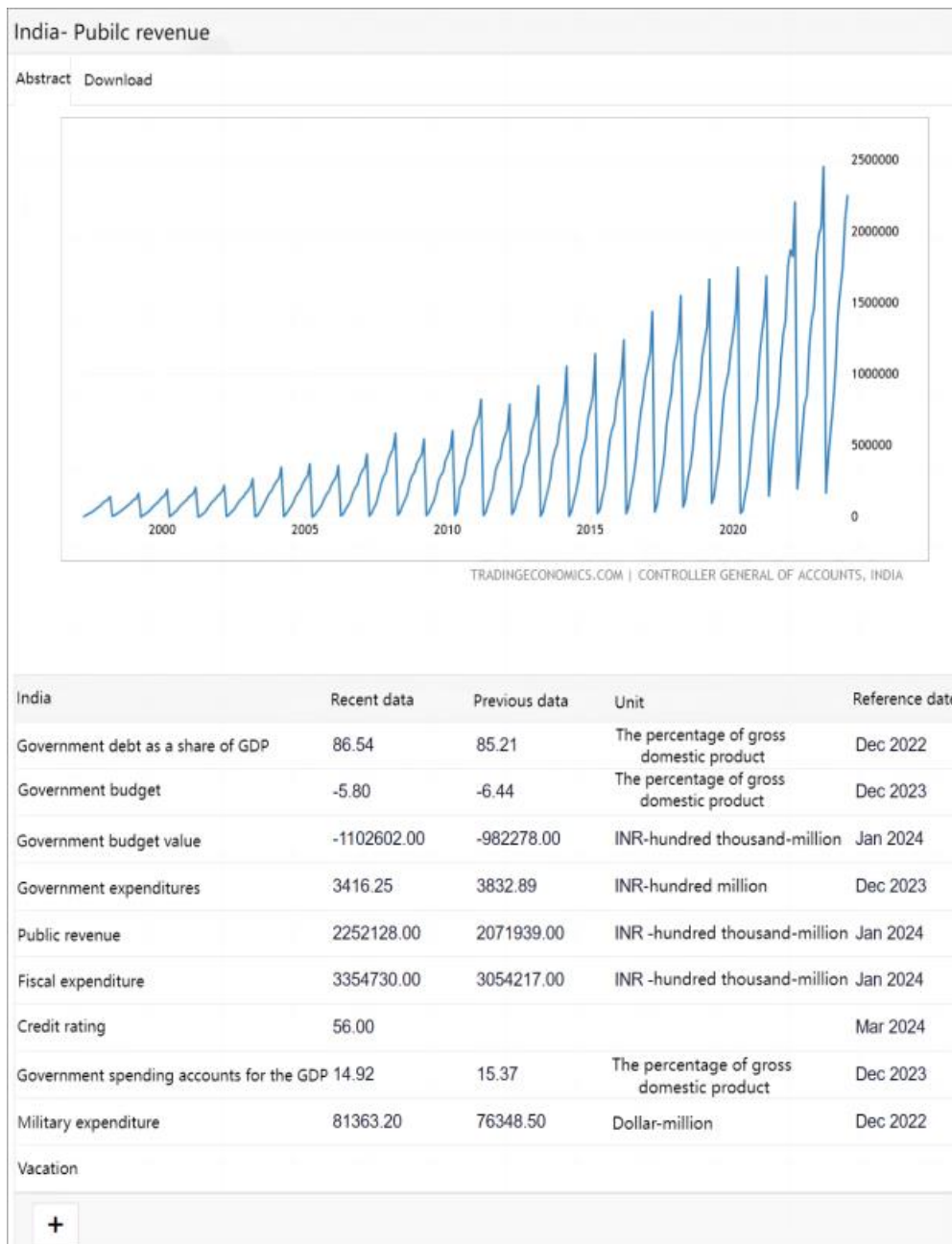
Overall, the impact of India's trade deficit is multifaceted, including a decline in foreign exchange reserves, shocks to domestic industries, slower economic growth and tensions in international trade relations. Therefore, India needs some windfalls and opportunities to promote the development of domestic industries and enhance international competitiveness to achieve sustainable economic development.

## 2.2. India's Deficit Problem

India's deficit problem refers to the long-standing problem of fiscal deficits of the Government of India, i.e., the Government's expenditures exceed its revenues. (See Figure 2.3 for details.) This has led to the need for the Indian government to borrow constantly to cover its fiscal deficit, which in turn has led to an increase in the country's debt burden, affecting economic development and stability. India's fiscal deficit problem stems from a number of sources, including large government expenditures, an inadequate tax system, and the government's regular subsidies to state-owned enterprises and farmers. Government expenditure is mainly on areas such as infrastructure development, social welfare and defence spending, but due to limited revenue, the government often needs to borrow to cover the deficit. The problem of fiscal deficits can have negative impacts on the economy, such as inflation, currency depreciation and slower economic growth. In addition, fiscal deficits can lead to higher levels of government debt, increasing the country's debt burden and potentially triggering a debt crisis.



**Figure 2.** Fiscal Expenditure Statistics of India



**Figure 3.** Fiscal Revenue Statistics of India

As can be seen from the figure, India's fiscal deficit problem is serious, the size of the deficit is large, pushing up inflation, but also has a crowding out effect on investment, India's national debt dependence and national debt burden ratio is too high, and the fiscal situation is fragile [2]. In order to solve the deficit problem, the Indian government should take some measures, such as optimising the tax system, reducing government expenditure, increasing fiscal revenue, and improving the operational efficiency of state-owned enterprises. In addition, the government should improve the deficit problem by promoting economic growth, attracting foreign investment and optimising fiscal management

### 3. STRENGTHS FOR INDIA'S FURTHER DEVELOPMENT

Despite its shortcomings, India has a number of unique strengths, and its self-generated response to its shortcomings has also led to adjustments and changes, which have led to certain prospects for its future development.

### **3.1. Strengths of India's Agricultural Trade Development**

India is endowed with rich land resources, which are provided for agriculture by the diversity of India's topography, including plains, plateaus, hills and basins. India has about 180 million hectares of arable land, which is 17 per cent of the global arable land, providing a good base for agricultural production. India is blessed with abundant water resources and these provide good conditions for agricultural production. The Government of India is also actively investing in water projects to improve the utilisation of water resources. Most of India has a tropical monsoon climate, with rain and heat in the summer and warm and humid winters, which is favourable for the growth and development of crops. India has a large population, including a relatively high proportion of rural population, which provides abundant labour resources for agricultural production. In addition, in order to further modernise agriculture, India is providing comprehensive livelihood security to the farmers of the 21st century by implementing the Second Green Revolution, expanding agricultural exports, raising the budget of the agriculture sector and amending the Agrarian Reforms Act with a view to doubling the income of the farmers. Under the continuous promotion of various agricultural reform policies, Indian agriculture has broken through the traditional model, showing the quadruple characteristics of organic system, mechanised production, digital platform and internationalised cooperation, which is basically in line with the needs of the development of agricultural modernisation, and reflects the distinctive characteristics of India [3].

### **3.2. Advantages of Trade Development in Indian Pharmaceutical Industry**

India is rich in medicinal plant resources and has a rich geography, including tropical and subtropical regions, which are characterised by a wide variety of botanical resources, providing abundant resources for the development and production of herbal and natural medicines. India has a large population and relatively low labour costs, which reduces the cost of pharmaceutical production and increases its competitiveness in the international market. India's health infrastructure has improved to some extent, including healthcare facilities, disease control and preventive measures, which supports the growth of the pharmaceutical industry. India is technologically strong with a number of excellent pharmaceutical companies and R&D institutions, which facilitates the production of pharmaceutical products and technological innovation. The innovation of Indian pharmaceutical companies is further developed by relying on the growth and development of generic drugs. The government has stimulated the proliferation of cheap generic drugs in India by removing patents on the composition of food and drugs, and has made it possible for major pharmaceutical companies to move from generics to innovation through low-interest rate loan assistance for clinical research, as well as the improvement of infrastructural support measures and the training of researchers. After years of continuous investment in research and development by the Indian government as well as internationalisation efforts, Indian pharmaceutical companies have established the world's most competitive generic drug research and development and production system [4].

## **4. SUMMARY**

In terms of agriculture, trade friction under Sino-US rivalry will lead to a decline in agricultural exports from the US to China likewise from China to the US, thus India as a major agricultural country has new market opportunities [5]. In pharmaceuticals, mutual restrictions between the US and China will lead to more opportunities for pharmaceutical exports. In electronics and information, it can further attract technology and capital from China and the United States and even other countries. Its large population base determines its abundant labour resources, and during this period the Indian government has also actively adjusted its cooperation with China and the United States in accordance with the international environment, and further strengthened ties and cooperation with neighbouring countries. In general, the competition between China and the United States will make India become one of the hotspots for technology transfer and investment in other countries, which will also prompt

India to seek cooperation and investment in other countries according to the changes in the pattern of international trade. Thus, it can be seen that as long as India seizes the current opportunities and wind mouth it can get further development. But because of the limitations of many factors its development is not comparable to the United States and China.

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