

**Trade Irritants and Non-Tariff Measures  
between China and India**

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## **Trade Irritants and Non-Tariff Measures between China and India**

### **Abstract**

Trade between China and India had always been predominated by geopolitical concerns and mounting trade deficits. As India has been heavily dependent on China on many of its domestic requirements as well as intermediary products, what often get sidelined or what often deserves more meritorious discussion are the behind the border measures and procedural obstacles. These are hardly debated in the context of growing trade between the two countries and this paper intends to fulfil this gap to some measure. Non-Tariff

Measures (NTMs) are seen in an evolving regulatory context which have a potential to put more costs than tariffs. More challenging part of NTMs are institutional and regulatory shortcomings in some countries which result in NTMs becoming barriers to trade. A major difficulty in the case of NTMs is to quantify the affected trade since some of the clearly defined regulations might enhance trade. Though almost all products are covered under NTMs in both countries, in this paper we look into how many of them turn out to be burdensome from the regulatory and transaction costs point of view. We also look into the issue of absence of information related to borer rejections, consignment destructions, etc. to examine the real incidence of issues of NTMs turning out to be barriers to trade. However, the larger prevalence of export related NTMs indicate there is more procedural obstacles within the country and only supporting policy measures and a better regulatory environment can make India reap the trade potential with China on a variety of products.

## **Keywords**

India China Trade, Non-Tariff Measures, Trade Facilitation, Market Access

## **Introduction**

Non-Tariff Measures (NTMs) are defined as policy measures, other than customs tariffs, that can potentially have an economic effect on international trade in goods, changing quantities traded, or prices or both (UNCTAD, 2019). Most of the NTMs fall in the Sanitary or Phytosanitary (SPS) or Technical Barriers to Trade (TBT) categories. The NTMs include both technical regulations that set characteristics on the product itself or on the production processes, such as SPS or TBT, but also non-technical measures such as licenses and quotas, or price

affecting measures, as well as financial or exchange rate regulations. The NTMs classification is divided in chapters named with letters A to I, for import NTMs. These are technical and non-technical conditions or requirements to be met for importing. The export measures are contained in the last chapter, named with letter P. Import and export NTMs group, respectively, conditions for import and for export.

The World Trade Organisation in April 2020 predicted that world trade could fall anywhere between 13 and 32 percent in 2020 due to the Covid-19 pandemic, most likely exceeding the trade slump that was experienced during the 2008-09 global financial crisis. It also predicted that trade would most likely fall in sectors such as automobiles and electronics, that have complex value chains dependent on imported inputs. These imports could be interrupted due to social distancing measures, which have led to closures of factories in China, Europe and North America (WTO, 2020). Even UNCTAD recognises that one of the primary effects of the Covid-19 pandemic on world trade would be through the reduction in the supply of intermediate inputs and components from China, given that a large number of countries are dependent on China for inputs in industries including automobiles, machinery, chemicals, communication equipment and precision materials. (UNCTAD, 2020). It is estimated that the largest economies in the world including the European Union, the United States, Japan and South Korea would be the worst impacted economies on account of their dependence on Chinese inputs. For instance, a two percent reduction in China's intermediate exports could lead to reduced exports worth almost US\$ 30 billion in total for the respective economies mentioned above. However, to improve bilateral trade between any two countries necessary condition is to find product specific market opportunities, but this should always be backed by sufficient condition of carefully dealing with, if any, Non-Tariff Measures, to improve procedural obstacles (Tantri and Aulakh, 2019). It is in this backdrop, our paper will investigate the new measures of competitiveness and factors which are considered to influence the course of trade and investments based on the Tariff and Non Tariff Measures. It builds the case for research on the premise that ease of doing business and market access matters to firms in taking the decisions to trade and invest, backed by the set of new literature that have investigated this relationship (See for detail: Bayraktar, 2013; Corcoran and Gillanders, 2014; Kee et al, 2009; Andriamananjara et al. 2004).

The concept of NTMs is neutral and does not imply a negative impact on trade nor any legal judgement. The fact that a regulation that is in place is registered as an NTM does not mean that the requirement is considered a barrier to trade. In the context of China and India's bilateral trade – any such attempt will also facilitate in detail factors perhaps that explain

deteriorating position of India in overall trade of China. The specific objectives of the paper is to explore the bilateral trade between India and China and also investigate the major NTMs being faced/imposed on bilateral trade between India and China. The paper has an exploratory approach and is based on secondary data mostly collected from United Nations Conference on Trade and Development (UNCTAD TRAINS) database and International Trade Centre (ITC).

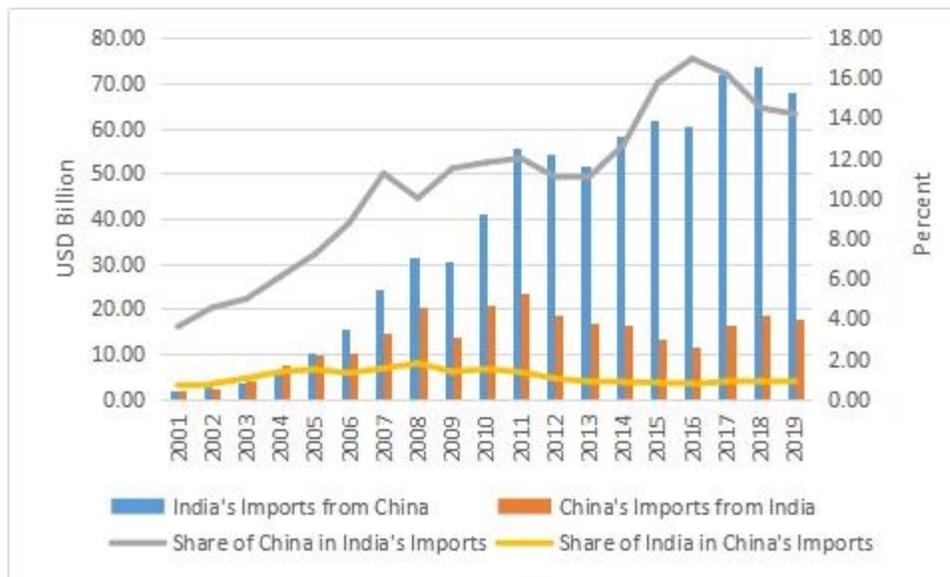
The rest of the paper is structured as follows: section following this will outline the broad characteristics of trade between India and China. Third section taking the lenses of NTM discuss the pervasive NTMs in general and the specifically in the context of bilateral trade between India and China. Section 4 discusses the key issues of NTM in the context of key export products, actual and potential exports and the institutional constraints. The last section summarizes and concludes the paper.

### **Bilateral Trade between India and China – Actual and Potential Exports**

China and India have emerged as strong players in the global map. Beside this they have been competing with each other and over the years relation between two have strained, specifically in the last one year. India in particular on the one hand have been trying to improve its trade deficit with China on the other hand, recent years have seen increase in boycotting many products/services from china as a token of its protest on bilateral border issues beside putting forward the protectionist measures.

Between 2001 and 2019, India's imports from China have grown at a rate of 19.68 percent from USD 1.82 billion to USD 68.16 billion, whereas its total imports registered a growth of 12.40 percent (Figure 1). During the same period, China's imports from India increased from USD 1.69 billion to USD 17.97 billion, which reflects a growth of 9.54 percent, whereas its total imports increased at a rate of 11.18 percent. Though the share of China in India's total exports has grown from 2.10 percent to 5.25 percent in this period, Indian imports have witnessed a marginal growth of 0.70 percent to 0.87 percent in China's total imports. Share of imports from China has grown from 3.61 percent to 14.20 percent in India's total imports, whereas for China, exports to India has grown from 0.71 percent to 3 percent in this period. China's untapped export potential with India is estimated to be USD 56.9 billion, out of which the highest potential was estimated in products such as Parts of telephone sets and other transmission apparatus, Telephone sets and other voice/image transmission apparatus and Data processing machines (ITC, 2020). India's untapped export potential with China is estimated as USD 56.9 billion.

**Figure 1: Trends in Bilateral Imports of China and India**



**Source:** International Trade Centre (ITC)

Not only that volume of trade grew significantly, due to foreign direct investment, there has been a tremendous increase in the trade transactions between the two countries. The major items of exports from India to China were iron ores, cotton yarn and fabric, organic and inorganic chemicals, precious stones and metals and machinery while the major items of imports from China to India were electrical machinery, organic chemicals, iron and steel, fertilizers and mineral fuel.

“The Chinese economy is shifting its focus from traditional sectors to new, technology-intensive sectors in general, while traditional sectors are being encouraged in certain regions of China (eg. Central and Western China). Even in traditional sectors like textiles, China is focusing more on technology intensive activities. The approach of supporting industry however prevails in all sectors, while the import restriction regime has changed over time to reduce the number of products restricted, and to improve processes and procedures. However, there still remain a large number of non-tariff measures, delays and complex procedures which are changed at short notice. The difficulty of understanding the details of the regulations or the scope of their coverage, together with different conditions imposed in Provinces in addition to those established by the Central Government, is therefore a continuing issue” (Exim Bank, 2019)

Back in last decade, during the discussion in early 2008, Indian Commerce Secretary suggested to the visiting Chinese Vice Minister that two countries could gain a lot by providing faster market access to pharmaceuticals and drugs. The Secretary also urged the Chinese side for

granting market access to 14 fruits and vegetable from India at the earliest, as it was pending for long. Both sides felt that there is a need for increasing bilateral investments between the two countries and the main sectors for investments could be petrochemicals, steel, healthcare, information technology, automobiles, biotechnology, renewable energy and low-carbon technologies.

At the moment, products with greatest export potential from India to China are Motor vehicles for the transport of persons, nes, Parts and accessories of motor vehicles, nes and Shrimps & prawns, frozen. India has the highest supply capacity in Castor oil and fractions. Motor vehicles for the transport of persons, nes is the product that faces the strongest demand potential in China.

### **NTMs in trade – Importance and Prevalence**

As argued by APEC (1996), the average international transaction involves 27-30 different agencies and rekeying of 60-70 per cent of data at least once. These different parties/agencies involved in international trade can be grouped under three major heads: Government agencies (different government department), intermediaries (who provide all supporting services) and traders (exporters and importers) (UNESCAP, 2012). Given this, depending upon the (a) the government active involvement in facilitating trade, (b) the spirit with which such rules/regulations/provisions are implemented in its true spirit and also (c) coordination and cooperation that exists between different department/agencies decide the time taken to trade and corresponding costs, which in the literature termed as transaction costs of trade (Tantri, 2016). These can be categorised as direct and indirect costs (ADB-ESCAP, 2013, which together occupy a share of 7%-10% of the total global trade volume (ibid). Hence reduction in these costs is a prerequisite to boost exports and achieve trade-led growth. If developing countries could reduce cargo handling time by just one day, their saving would be almost to US\$ 420 billion annually as argued by Hummels (2001). In addition to this, of late, market access issues studied within the framework of Non-Tariff Measures (NTM) are also making headline in the trade literature – as they too add significantly towards trade costs (see for detail: Chen and Novy, 2011; Moenius 2004; Chen et al, 2008). NTMs are basically regulatory measures imposed by their home country, partner countries, and sometimes transit countries, which have direct and/or indirect effects on trade costs (UNCTAD, 2013). In this context, on the one hand, trade facilitation intends to identify, define and implement effective rules of the game to reduce all kind of transaction and transport costs pertaining to trade expansion of the country. On the other hand, it also attempts to deal with specific technical and non-technical barriers of trade (Tantri, 2016).

However, trade facilitation as a trade strategy has not received its due place so far. For developing countries, undoubtedly it causes significant burden on its exchequer as it would demand heavy investments on hard and soft infrastructure, which will vary across major exporting sectors and also as per trading partners. NTMs debate is not something very new. Though NTMs are legitimate measures to protect health and environment, their potential in transforming them to barriers and thereby protectionism has not been fully recognized by policymakers in many countries. In a commentary, ahead of the G-20 summit in 2009, the then Director General of the World Trade Organization (WTO) Pascal Lamy warned that there has been “significant slippage” by governments in their resistance to domestic protectionism. This also highlights the instances of protectionism among the prominent members of the G 20. India and China, of course, figure in the list. China bans Irish pork imports, and increases tariffs on pork and soybean oil cake. India increases import tariffs on soy oil, but makes it easier for its exporters to sell Basmati rice in foreign markets. There are perhaps more issues between the countries than what Lamy’s commentary could contain. Trade issues come to the forefront, after having sidelined during the last summit and stopping protectionism must be high on the agenda of G20 leaders. As international trade experiences a sudden and serious decline, protectionist forces rise up and are likely to gain ground as the crises worsen.

Officials at the Indian Commerce Ministry often stated in general that India was having problems with surge in imports from China which hurts the home industries. Indian exporters complain that they have faced problems such as payment deductions and financial losses linked with the banking system in China, without adequate explanation of the basis of these deductions. There have also been problems even in complementary areas wherein Indian trading companies have accused Chinese steel-makers having backed away from the orders of Indian iron ore causing heavy economic losses. In fact, the issues range from food and public health safety to co-operation in science and technology. For instance, the India-China protocol on basmati export provides for phytosanitary requirements to allow the export of basmati rice, which will comply with the Chinese quarantine laws and regulations and the Agreement on Sanitary and Phytosanitary (SPS) Measures of the World Trade Organization.

Removing trade irritants invariably refers to the reduction of trade transaction cost and thereby trade facilitation. Traders now demand faster clearance of their consignments. In the world of instant communication, the main hitch is delivery in terms of transport and logistics. On the theoretical side, trade irritants and absence of invisible infrastructure take away a substantial portion of the gains from trade from both the trading partners. It is a matter of trade velocity as well. As trade across borders now moves at higher speeds than before, trade transactions could

not just have exported or imported consignments tied up for weeks at the border due to unnecessary customs formalities. India's exports to China consists of agricultural products and therefore, incur higher trade transaction costs compared to China's imports into India which are mostly industrial products.

Studies by the Organisation for Economic Co-operation and Development indicate that trade transaction costs amount to up to 15 percent of the value of traded goods globally. It is also found trade transactions costs to be higher on agricultural and food products, fish, and forest and wood products (since these products are subject to additional border procedures due to sanitary and phytosanitary requirements). These are products for which many developing countries have an advantage. This includes non-transparent customs laws and administration. Much less evidence was found that transport infrastructure, in comparison, had a significant impact on export performance. Attempts at trade facilitation within the bounds of protecting customs revenues, as any standard prescription would advocate, the revenue loss could be balanced through penalties. Thus, trade facilitation may be perceived not solely as a risk to customs revenues but primarily as a way of reducing the cost of operating the customs regime while at the same time attracting investment, and trade facilitation and customs reform ideally represent a better return on investment. Ironically, though the investments on visible trade infrastructure rose substantially overtime, there has not been enough aid for the invisible infrastructure and most of the current issues are centred on this.

China does not figure much in the trade facilitation concerns of India, as evident from the comprehensive case studies by the Indian Ministry of Commerce. This was primarily because of the lax standards in general and the stringency was usually associated with OECD countries. However, the case studies do exhibit occasional market access problem and more of the trade irritant nature for both the countries. "China expressed grave concerns on the India's frequent trade remedy investigations against Chinese products and India's discriminatory restrictions on Chinese toys. Chinese side asked India Side not to indiscriminately take trade remedy measures and to lift the discriminatory restrictive measures against Chinese products, which are in violation of WTO rules." It is observed that more than half of the imports to China are subject to import licenses. The initial license is issued by various organizations according to the product, but the Chinese Ministry of Commerce delivers the final license. The problem of convertibility of the Chinese currency implies the limitations in terms of availability of foreign exchange. In order to obtain licenses, the importer must hold an exact reserve of exchange and prove that the importation is necessary. Import quotas also exist for more than 400 products,

such as cars, textiles, sugar, cotton and cereals. The criteria of establishment of these quotas are not public and it is extremely difficult to get information on this matter.

Most imported goods in China are subject to inspection. A preliminary inspection takes place in the exporting country for some products in particular, textiles. There is also inspection in the port or in the airport of arrival to check that products meet the Chinese standards. These controls are led directly and exclusively by the Chinese authorities. China is also an emerging market for low-value marine products such as ribbonfish and a number of small catch. These are processed in China and a number of such units are located in Chinese Special Economic Zones. The importers do not state any specific technical requirements and orders only contain contract financial details. Export documentation made by Indian exporters are considered inadequate by Chinese port and customs authorities and perishable cargoes are not released pending documentation. There are language barriers too, which worsen the issues. The earlier study by Tantri and Kumar (2018) argues that it is much costlier for a trading partner to trade with India than with China, which obviously gives competitive edge to an exporter in China over the Indian exporter.

### **Key Issues in NTMs and Potential to Become NTBs**

The growing importance of NTMs are seen in the backdrop of significant drop in the average tariff rate and the emergence of alternative form of protectionism. As per World Bank (2012) the average level of applied tariffs had fallen to 10% or less in many developing countries, and in OECD economies the average uniform tariff equivalent of merchandise trade was less than 4%. The same period has witnessed the emergence of market access issues specifically for developing countries in the name of standards and regulations, which are studied within the framework of NTMs. In fact, NTM contribute more than twice as much as tariffs to overall market access trade restrictiveness (UNCTAD, 2012) and they tend to have more distorting effect on small firms and low-income countries (Anders and Caswell 2009; ITC, 2015 and World Bank, 2018). This is largely due to resource constraints, higher compliance costs of NTMS and also higher incidence of NTMs on agriculture products, in which low-income countries tend to have specialization (UNCTAD, 2018). These measures could be technical and/or non-technical issues affecting trade (UNCTAD, 2013) as outlined in table 1.

**Table 1: International classification of non-tariff measures**

Imports	Technical Measures	A. SPS Measures B. TBT
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		C. Pre-shipment inspection and other procedures
	Non-Technical Measures	D. Contingent trade protective measures E. Non-automatic licensing, quotas, prohibition and quantity control measures other than for SPS and TBT reasons F. Price-control measures, including additional taxes and charges G. Financial Measures H. Measures affecting competition I. Trade related investment measures J. Distribution restrictions K. Restrictions on post-sale services L. Subsidies (excluding export subsidies) M. Government procurement restrictions N. Intellectual property O. RoO
Exports		P. Export related measures

**Source:** UNCTAD, 2013

*Prima facie*, NTMs are flagged to safeguard consumer health, environmental protection or national security, however, of late they have also been used as alternative protectionist instruments to control access to their markets. Nevertheless, there are counter argument that over the years there is a change in the relative importance of NTM in international trade from protectionist to precautionary motives (UNCTAD, 2018). UNCTAD Trains report data on NTMs of China (2017) and India (2016).

**Table 2: Total NTM prevalence**

Imposed by	Exp	Insp	Others	PC	QC	SPS	TBT
India	479	47	23	43	212	2311	1483
China	1026	113	58	51	312	1642	4054

**Source:** UNCTAD Trains, Sanitary and Phytosanitary (SPS), technical barriers to trade (TBT), quantity control (QC), price control (PC), pre-shipment inspection (INSP) and other measures (Others).

Table 2 presents the prevalence of NTMs, which would reflect their distribution across major categories. These are imposed on products from all countries, that is, total number of NTMs in place on imported products. Table 3 presents the percentage share of such NTMs by the specific classification. It may be noted that SPS and TBT dominate the NTM scenes in both China and India, but there is a smaller but significant share of export related measures (P).

**Table 3. Percentage share of NTM by chapter of the classification**

	A	B	C	E	F	G	H	I	P
China	22.9%	55.8%	1.6%	4.3%	0.7%	0.1%	0.3%	0.1%	14.2%
India	50.8%	32.0%	1.0%	4.3%	0.9%	0.1%	0.4%		10.4%

**Source:** UNCTAD Trains

An examination of import requirements in China for some select products from India and vice versa would prove to be insightful. For instance, the products with high export potential from India to China (chocolate is an exception, which is included as an packaged food product) are listed in Table 4 with appropriate number of regulatory requirements such as labelling, certification, etc. The same set of products and their regulatory import requirements in India are compared.

**Table 4: Regulatory measures and their counts for imports – comparing China and India**

	No of measures as import requirements for products from India to China	No of measures as import requirements for products from China to India
Motor vehicles parts and accessories	37	14
Frozen shrimps and prawns	89	51
Castor oil	80	70
Chocolate and other food preparations	63	43

**Source:** ITC Market Access Database

The data with respect to bilateral NTMs convey a similar picture. Table 5 and 6 provides more disaggregated picture of the NTMs imposed by India and China. As per the NTM classification,

the number and percentage of NTMs imposed bilaterally between India and China on each other's products, it may easily be concluded that a significant part of them still deal with SPS and TBT measures. The tables, however, provide further detailed categories under which they can be listed and to some extent, the institutions imposing them. For instance, the codes begin with 'A' belong to SPS, and A53 refers to fumigation and the imposing entity or institutions could be the Ministry of Agriculture and Farmers' Welfare in the Indian context, or General Administration of Quality Supervision, Inspection and Quarantine in the case of China. But a more specific information regarding the entity involved cannot be made out from these data. However, these numbers provide valuable information on the prevalence and magnitude of a variety of NTMs between the partners and bilateral level solutions could be pursued based on the institutions involved.

**Table 5: Bilateral level NTMs imposed by India**

NTM Codes	Description	Number	Percentage
P33	Licensing/registration requirements	107	13.9
B859	Traceability requirements	100	13
E1	Non-automatic import-licensing procedures other than authorizations for SPS or TBT reasons	100	13
P22	Export monitoring and surveillance requirements	100	13
A83	Certification requirement	72	9.3
A69	Other requirements on production or post-production processes	71	9.2
A12	Geographical restrictions on eligibility	53	6.9
A86	Quarantine requirement	45	5.8
E32	Prohibition for non-economic reasons	44	5.7
A53	Fumigation	35	4.5
A14	Special authorization requirement for SPS reasons	9	1.2
A84	Inspection requirement	8	1
P13	Licensing- or permit requirements to export	7	0.9
P162	Product quality, safety, or performance requirement before export	7	0.9
P163	Product quality, safety, or performance requirement	7	0.9

F19	Other administrative measures affecting the customs value	4	0.5
A61	Plant-growth processes	1	0.1
C9	Other formalities	1	0.1
	Total	771	100

**Source:** Authors' calculations based on UNCTAD Trains database, 2016

The number and percentage of NTMs imposed by China is furnished in Table 6. It is clear that there are more number of measures falling under the first two categories, SPS and TBT. At the same time, there are export related measures as well which is considerably higher.

**Table 6: Bilateral level NTMs imposed by China**

NTM Codes	Description	Number	Percentage
P163	Product quality, safety, or performance requirement	1004	42.3
A11	Temporary geographic prohibitions for SPS reasons	980	41.3
A82	Testing requirement	281	11.8
E32	Prohibition for non-economic reasons	35	1.5
A86	Quarantine requirement	16	0.7
A851	Origin of materials and parts	12	0.5
C3	Requirement to pass through specified port of customs	8	0.3
B83	Certification requirement	6	0.3
B84	Inspection requirement	6	0.3
A84	Inspection requirement	4	0.2
E1	Non-automatic import-licensing procedures other than authorizations for SPS or TBT reasons	3	0.1
E111	Licensing procedure with no specific ex ante criteria	3	0.1
F61	Custom-inspection, processing and servicing fees	3	0.1
P162	Product quality, safety, or performance requirement before export	3	0.1
A14	Special authorization requirement for SPS reasons	2	0.1
A51	Cold/heat treatment	2	0.1
A69	Other requirements on production or post-production processes	2	0.1
A83	Certification requirement	2	0.1

B31	Labelling requirements	2	0.1
F71	Consumption taxes	1	0
	Total	2375	100

**Source:** Authors' calculations based on UNCTAD Trains database, 2017

The larger prevalence of export related measures (under P) represents a case wherein there are more restrictions for firms at the domestic level even prior to export. These are the requirements that the country imposes on its own exports. For China and India at least 80% of their exports have to comply with local regulations. Export NTMs are those required by the exporting country itself, not by its trading partner. This shows that sometimes companies have to devote efforts and associated cost to comply with the requirements of their own national governments before they engage in complying with requirements in other markets. This is an important issue for India to consider at the regulatory institutional level. India's standards regime still does not completely address the NTM induced NTB issues. The EU and USFDA border rejections are cases in point. Informal interviews with select exporters to China also illustrated the fact that at times NTMs are used on flimsy grounds to favour products some other cheaper sources, after the contract has been signed. Since, only around 10% of the Free on Board (FoB) value is incurred by the importer/buyer they would still benefit from price fluctuations in the interim transit period the larger burden falls on the exporters where payment is received only on successful clearance of the consignment at the delivery port. The exporters report a surge in these types of cases in the recent past under TBT clauses. So, this serves as a testimony that more number of NTMs definitely translate to more uncertainties in bilateral trade or the partnering country gets more grounds to use one or the other measure at a short, changeable manner, the requirements, even though the product comply with most requirements. A few such instances would even wipe out some of the smaller exporters from the scene, and this is where institutional support is warranted.

The US-China trade war had already created tensions at global level invoking the protectionist era. Further, Covid-19 resulted in huge mistrust and has aggravated this problem, affecting even the foreign investments in China. Developed countries are trying to reduce their dependence on China. With China's integrity being questioned across many countries of the world after the outbreak of Covid-19 pandemic and the developed countries are mulling over shifting of their manufacturing base at China, many developing countries including India started competing for attracting the larger chunk of this capital flight. In the light of 'Make in India' and the recent *Atmanirbhar Bharath Abhiyan*, two things have become priority for India: One, attracting foreign investments to create job opportunities and ignite the economy, two,

promoting 'desi' products and create global branding for Indian products under the tag 'vocal for local'. Its success ultimately depends on the policy environment, the ability of the Indian firms to exploit this opportunity to create positive consumer sentiments both within India and overseas.

In the current Covid-19 world of mutual mistrust, the biggest challenge for India lies in retaining the existing markets and capturing the new markets (diversification). This is not easy, as there are many competitors in South and Southeast Asia, trying to sneak into this opportunity. Some of those countries have better ranks in Doing Business (DB) as well as in Global Competitiveness. If so, what margin of differences exist in institutional set up, which perhaps encourage trade and investment in an open economy, if India really plans to turn pandemic into an opportunity to make mark in the global map, what kind of reforms are required and how soon this can be achieved? These questions are needs to be understood within the framework of supply chain and DB, while doing so authors are completely aware of limitations associated in methodology of DB rankings. The focus market and focus product approach will be successful only when country and product specific barriers are understood and appropriate policy interventions are done.

### **Summary and Conclusion**

The growing importance of NTMs are seen in the backdrop of significant drop in average tariff rate and the emergence of alternative form of protectionism. The same period has witnessed the emergence of market access issues specifically for developing countries in the name of standards and regulations, which are studied within the framework of NTMs. The concept of NTMs is neutral and does not imply a negative impact on trade nor any legal judgement. The fact that a regulation that is in place is registered as an NTM does not mean that the requirement is considered a barrier to trade. In the context of China and India's bilateral trade – any such attempt will also facilitate in detail factors perhaps that explain deteriorating position of India in overall trade of China. The specific objectives of the paper was to explore the bilateral trade between India and China and also investigate the major NTMs being faced/imposed on bilateral trade between India and China.

Trade between China and India had always been predominated by geopolitical concerns and mounting trade deficits. As India has been heavily dependent on China on many of its domestic requirements as well as intermediary products, what often get side-lined or what often deserves more meritorious discussion are the behind the border measures and procedural obstacles. There are very limited studies on NTMs in the context of growing trade between the two

countries and this paper intends to fulfil this gap to some measure. NTMs are seen in an evolving regulatory context which have a potential to put more costs than tariffs. More challenging part of NTMs are institutional and regulatory shortcomings in some countries which result in NTMs becoming barriers to trade. Though almost all products are covered under NTMs in both countries, in this paper we looked into how many of them turn out to be burdensome from the regulatory and transaction costs point of view. We also looked into the issue of absence of measures related to borer rejections, consignment destructions, etc. to examine and quantify the impact of NTMs turning out to be barriers to trade. However, the larger prevalence of export related NTMs indicate there is more procedural obstacles within the country and only supporting policy measures and a better regulatory environment can make India reap the trade potential with China on a variety of products. As indicated in the paper, there are more requirements for India to comply with while dealing with China as an export partner, at the same time, complying with fewer requirements while importing products as intermediary inputs from China. However, it is still very unclear as to what proportion of bilateral trade was impacted by NTMs and this paper, despite utilizing most databases on NTMs could not quantify. This could be a limitation of the paper and also throws some indication for further research. A couple of anecdotal evidences from the exporters were the sole support in making some of these conclusions. This definitely requires further field-based surveys to quantify the actual incidence of NTMs.

In the current Covid-19 world of mutual mistrust, the biggest challenge for India lies in retaining the existing markets and capturing the new markets (diversification). This is not easy, as there are many competitors in South and Southeast Asia, trying to sneak into this opportunity. Some of those countries have better ranks in Doing Business (DB) as well as in Global Competitiveness. If so, what margin of differences exist in institutional set up, which perhaps encourage trade and investment in an open economy, if India really plans to turn pandemic into an opportunity to make mark in the global map, what kind of reforms are required and how soon this can be achieved? These questions are needs to be understood within the framework of supply chain and DB, while doing so authors are completely aware of limitations associated in methodology of DB rankings. The focus market and focus product approach will be successful only when country and product specific barriers are understood and appropriate policy interventions are done. An area that requires priority is the capture of data on border rejections, consignment destruction, etc. apart from the usual value and volume of trade.

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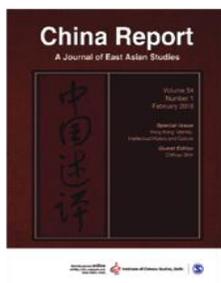


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