

India - China Relations

The Maze of Choices & Consequences



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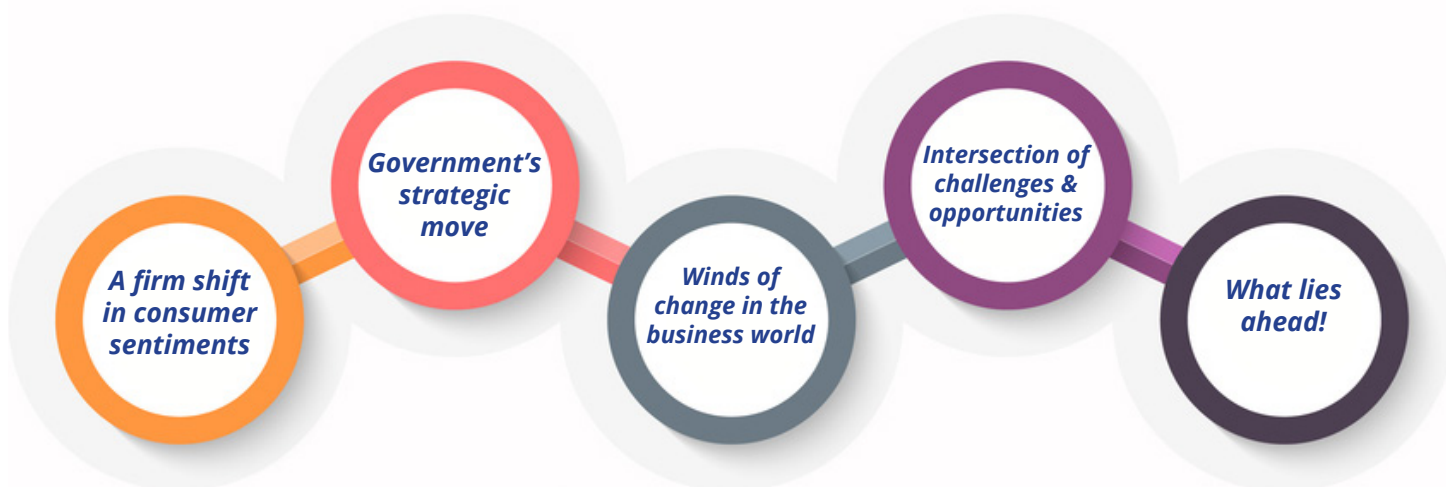
Reunification & the fall

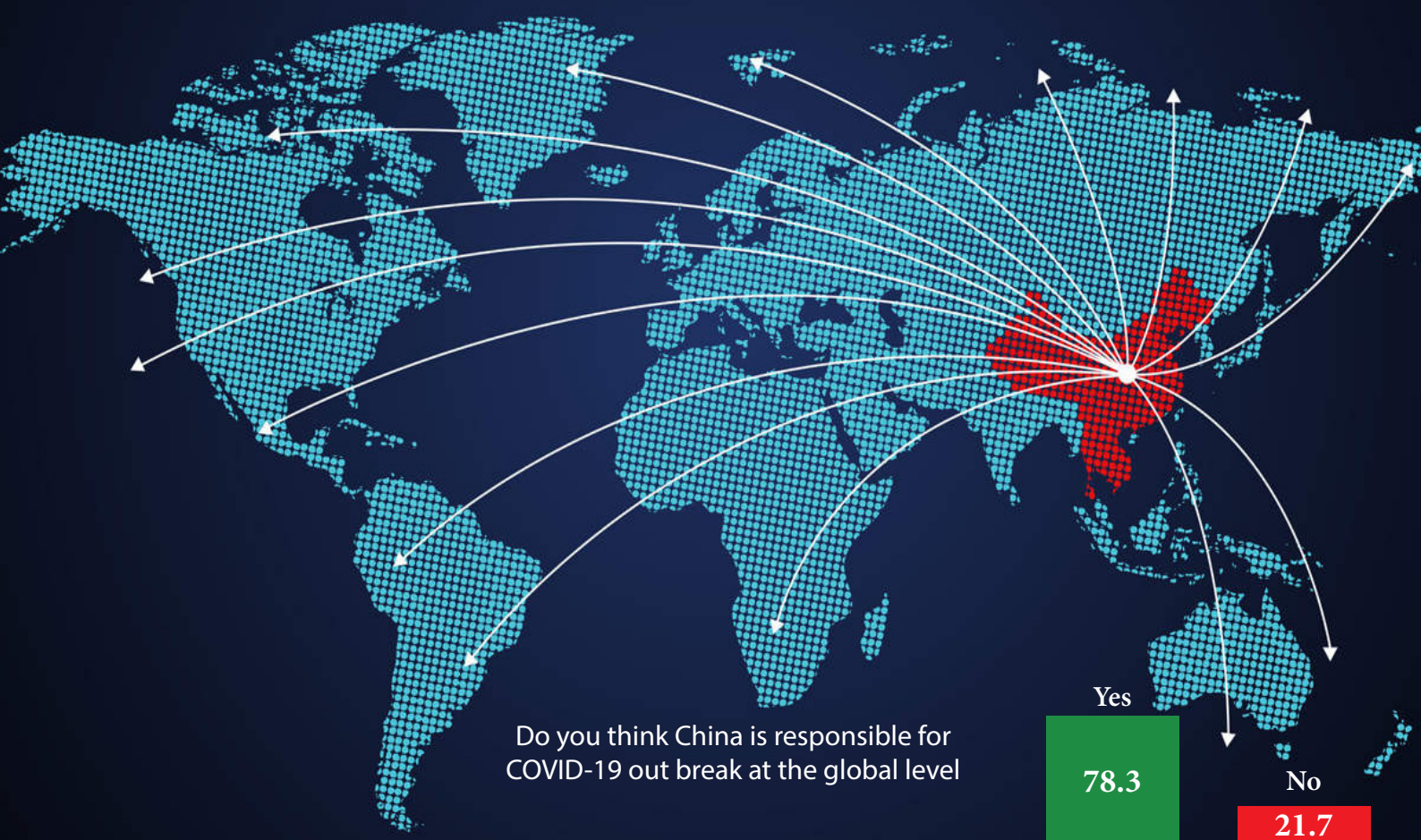
The story of the two powerful Asian nations goes long back - the friends turned foes in 1962 when India and China fought a blood spattered war. The two nations' glared at each other with weapons ready to protect their countries, until the governments decided to fight poverty rather than each other. Finally, in the year 2006 the two Asian neighbors reopened Nathu La, a mountain pass perched 4310 meter up in the eastern Himalayas, connecting Tibet in China to Sikkim in India marking July 6, 2006 as a historic date.

The two nations very well revived their old cultural, religious and economic ties. The bond grew stronger and they intelligently rebuilt their economic bridges. A fresh camaraderie between these fastest-growing economies enhanced the power of the two young and brightest nations amongst all developing countries.

Until, the most loathsome news broke out of the gory origin of COVID-19 pandemic and its spread. Not even a single country has been spared from the wounds infected by one nation. Governments of almost all countries and their citizens have developed an undeniable pain that doesn't seem to fade away for past six months. The detestable feeling and an abhorrent undercurrent is quite evidently seen rising towards a nation since the onset of COVID-19; something that has never happened in the history of human civilization. The world has been put on hold by an unwanted force that has crippled the livelihood of millions of people living around the globe. A time that only will be remembered with a feeling of pain and detest by the coming generation of every country.

These mazes of rising sentiments, choices, feelings, actions and their consequences have been captured in a recent study conducted by Knowledgegetics Research. The highlights of the study are India specific and captured in this report focusing on these five prominent areas:



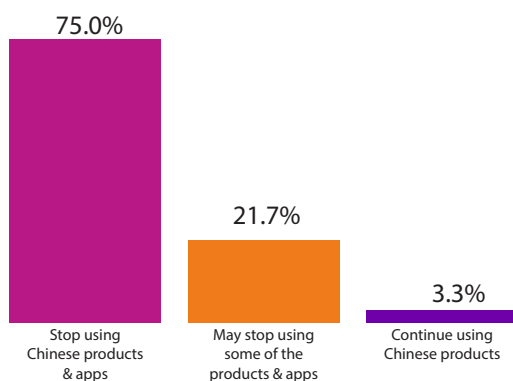


A Firm Shift in Consumer Sentiments

In 2018-19, China was India's second-biggest trade partner. In fact, it was the biggest trading partner since over half a decade for India. Unsurprisingly, the COVID outbreak has now changed everything. The study reveals that 78.3% of citizens feel that China is responsible for such a level of devastation caused to mankind due to COVID-19 pandemic's origin from its Wuhan's city. Along with the challenges that COVID19 has brought, the scavenging effect of the India - China border issues is another act that seems to outrage people at large. This double whammy from China has led to open criticism by many countries and is preposterously leading towards a much larger problem. China has taken such route of hostility that may end up burning ties in an outlandish way.

The bleak state of affairs has aroused huge public anger leading to boycotting Chinese products. "Around 75% of respondents in the study have claimed to stop using Chinese products and apps. 21.7% states that they may use discretion in their use and mere 3.3% seems to continue the way they have been using Chinese products and apps."

The firm shift in sentiments has emerged and grown stronger resulting in changes in the buying behavior of consumers in India. Numerous data points suggests that approximately half of the smartphone users in India are already seen using Chinese brands. Before the ban, the app market was flooded with Chinese apps. 32% Indian consumers were buying Chinese items to celebrate Indian festivals. More than 25% people were relying on cheap substitute in electronics and toys from China. But now, these items are soaring high on boycott barometer. The lowest denial on boycott is seen in Smartphones purchases due to the existing pricing strategy adopted by China making its product quite competitive in the market.



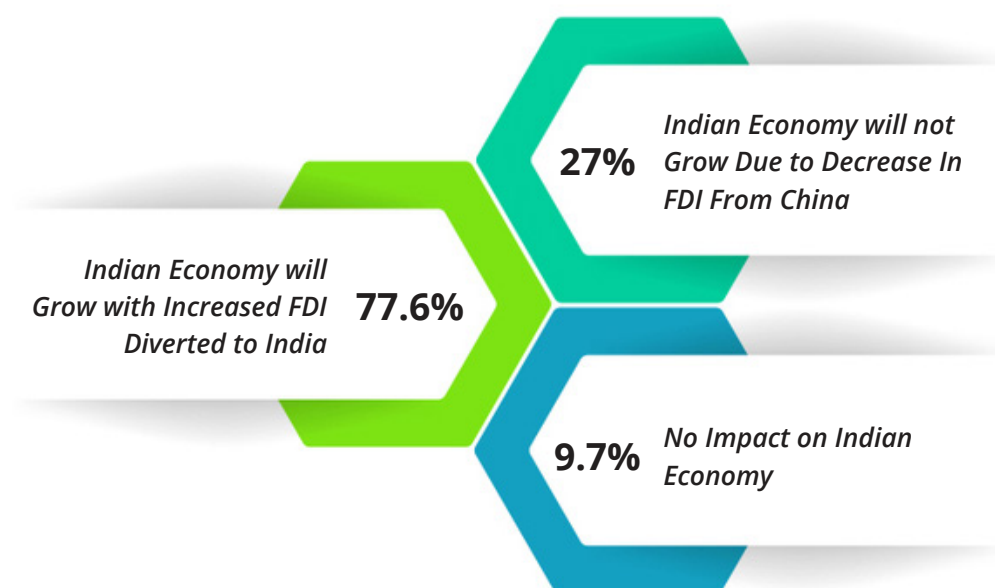
Do you think Chinese companies should be allowed by Indian Government to build 5G telecom infrastructure in our country?



The study further states that 56.5% people in India are unilaterally aligned on the thought of not allowing Chinese companies to build 5G telecom infrastructure in India. However, there are 43.5% respondents who feel that any developmental move must not be a part of the geopolitical game of action and reactions.

The survey result highlights the confidence that the citizens have for their countrymen and the economy. 77.6% respondents are inclined towards making path of recovery with increased FDI that will be diverted to India from other nations. In fact, a \$10 billion Digitization Fund for India has been announced by Google's CEO Sundar Pichai in July 2020. Most of the fund will be invested in Indian companies over the next five to seven years.

"Do you think boycotting product will directly impact the economy of India?"



The study also states that 12.7% opposes the thought of a recovery path and feels that the Indian economy will not grow due to disconnecting ties with China. Rest 9.7% feels that boycotting Chinese products will rather have no impact on the economy.

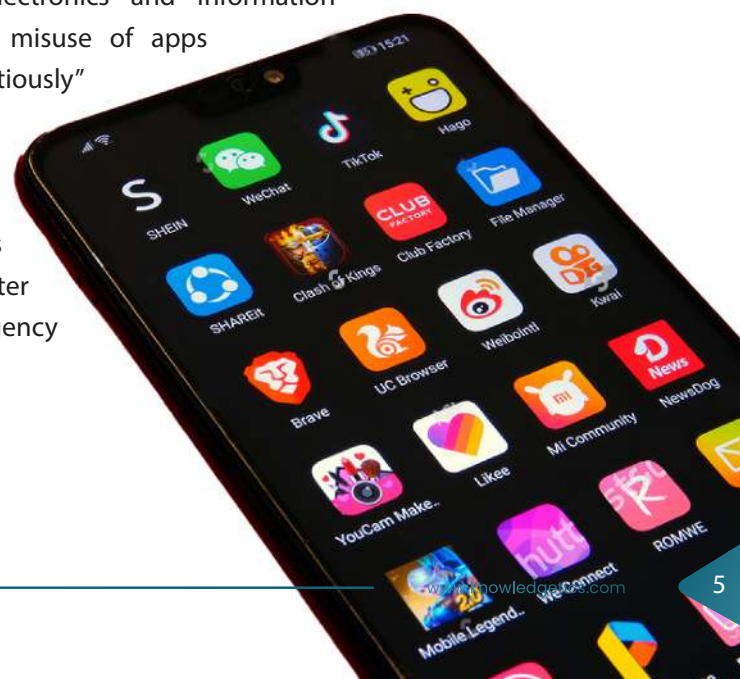


Government's Strategic Move

India was one of TikTok's largest markets, with more than 200 million users accounting almost 40% of its 500 million users worldwide. Earlier estimates highlighted that Indian users spent 38 minutes daily in TikTok. However, between March and May 2020 due to the growing negative sentiments of people towards Chinese products, there was a dip in TikTok app downloads by around 50% from 35.7 million to 17 million.

Moreover, the rising fear of the Indian Government that sensitive user data were passing into the hands of China, finally resulted in the recent ban of TikTok's use in India. Its Chinese parent ByteDance which also has other stakeholders like the Japanese conglomerate SoftBank is now considering selling its operations in several countries. In fact, the SoftBank Group is exploring to assemble a group of bidders for TikTok's India assets and has been actively looking for local partners.

The story of TikTok tells it all. The maze of choices and consequences has led India to currently impose a ban on over 200 China linked apps. The Indian government has invoked its powers under Section 69A of the Information Technology Act and relevant provisions under IT Rules 2009 to block these China based apps. As per the Ministry of Electronics and Information Technology, it had received complaints regarding the misuse of apps available on Android and iOS for "stealing and surreptitiously" transmitting users' data to servers that were not located in India. The ministry said "Compilation of such data, and its mining and profiling by elements hostile to national security, which ultimately impinges upon the sovereignty and integrity of India, is a matter of deep and immediate concern that requires emergency measures."



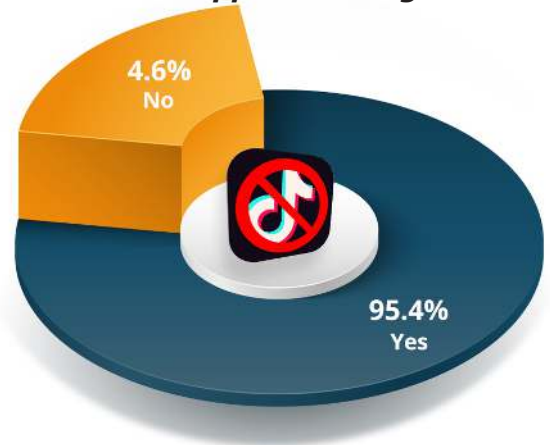
Around 95.4% of Indians are happy about the decision to boycott Chinese apps as per the survey. Moreover, the ban has adversely affected the Chinese app market to a great extent. Data shows that during the first quarter of 2020, i.e. April-June; 59 Chinese apps that were banned in the first phase accounted to 330 million new installs from Google Play Store alone from one single country i.e. India.

Before the ban, for Beijing-based ByteDance, India has been the biggest driver of TikTok installs with over 611 million downloads. Also the file-sharing tool SHAREIt owned by Lenovo had about 400 million users in India. Jack Ma's Alibaba-owned UC Browser had 130 million users in India out of 430 million active users globally. In fact UC Browser had been the second leading mobile browser in India with a market share at 14.5% as of May 2020, after Google Chrome which is at 78.2%. Another prominent player - CamScanner, the document scanning app was one of the first Chinese app to gain acceptance among Indian audiences with 100 million users in India, with 4 million new installs in June 2020. The latest blow is felt for PUBG as India was the largest market generating about 175 million installs.

As per the Government's strategic move, around 224 apps have been banned for use in India till further notification. In fact, many Chinese gaming app companies are now considering selling out to Indian partners. In alignment with the move, the US State Department had cited India's ban by calling on other countries to join the Clean Network program. However, recently China claimed India's decision to ban Chinese apps is neither beneficial to Indian users nor China's businesses. China further stated that India violated World Trade Organization (WTO) rules and must re-think its current move.

India's app crackdown has emerged to be a strategic move as it opens up a wave of opportunities for the India's home grown technology firms and businesses. Along with domestic winds of change it has also hinted on a painful future to their Chinese counterpart. China's geopolitics with India has led to nationwide fallout for Chinese firms. Chinese telecoms equipment makers Huawei and ZTE are also set to be shut out of India's 5G trials. If it happens, India would be following others countries like Australia, USA and the UK in excluding Huawei from its next-generation mobile networks.

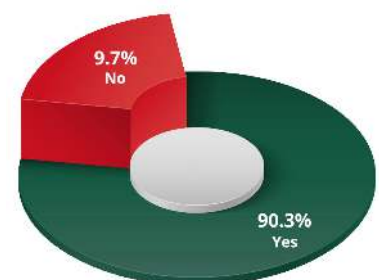
Are You Happy With Government's Decision To Ban Chinese Apps Including Tiktok



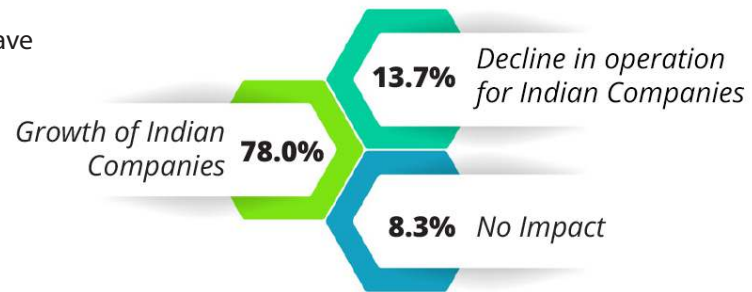
Winds of Change in the Business World

According to the survey, 90.3% of respondents want Indian home grown companies to venture into offering substitutes of their Chinese counterparts. It was indicated that Indians have become more mindful of the origin of the products they are purchasing. In fact, the ban on Chinese apps has opened up a plethora of opportunity for India based businesses. PM Modi's stated objective of a self-reliant country has sent Indians searching for Indian alternatives to the Chinese behemoths.

Companies venturing to offer substitute of Chinese products



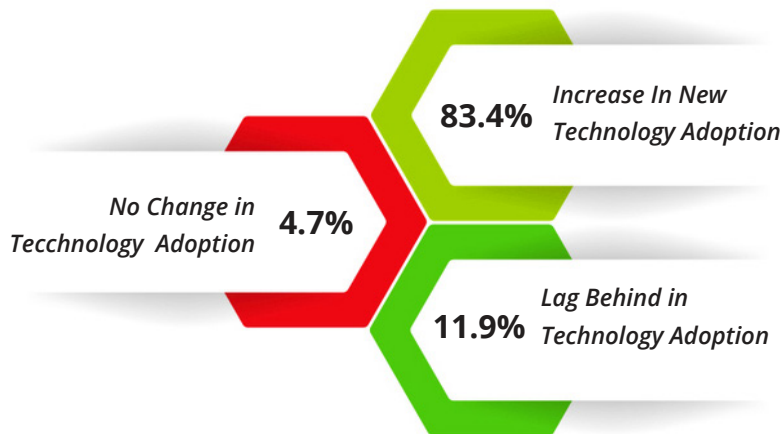
The survey also highlighted how 78% of the masses have positive sentiments claiming growth of Indian industries as a result of reducing business with Chinese firms. 8.3% are not sure of any impact and 13.7% have skeptical feelings that there can be a decline in businesses with reduced opportunities.



The hunt for substitutes of banned apps has led people to search for alternatives.

As per the survey, around 83.4% believed that India can well establish itself as technology adopters from counterparts within the country. Only 11.9% feels that the country may fall behind the technology adoption cycle when India restricts businesses with their Chinese counterparts.

“What do you think would be the impact of boycott on technology uptake in the country?”



Recent developments have seen a surge in the popularity and usage of indigenous platforms in India. There are several Indian apps blossoming to hit and capture the market. In fact, some of them have already started making top headlines at local as well as global level with hints of investments from bigger players. A list of the prominent players demonstrating great prospect in the home grown app market is summarized below.

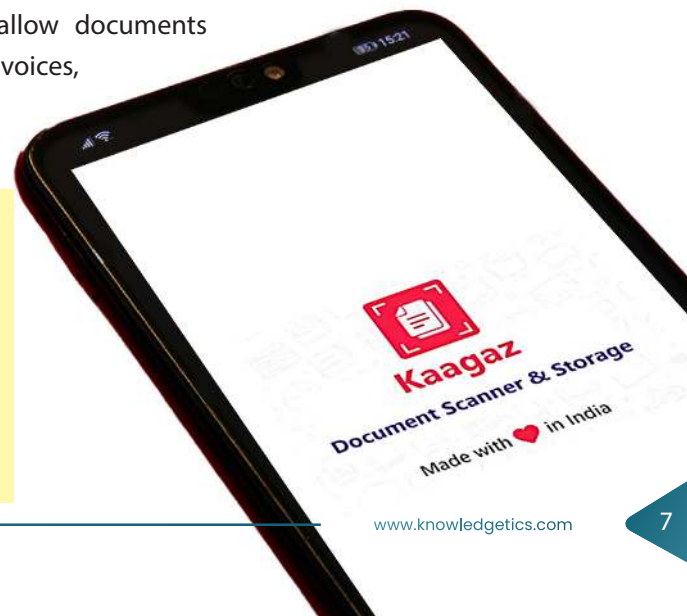
“Document scanner apps are a big deal globally, more so in India, where physical scanning infrastructure has always been limited.”

The document scanning space had existing applications from tech giants like Adobe, Microsoft, and Google, but none managed to penetrate the Indian market like CamScanner did. In its absence, a slew of homegrown document scanning apps have mushroomed in the last few months. One of them that became an overnight success is Kaagaz Scanner.

It offers an alternative to CamScanner, the popular document scanning platform which was among the Chinese apps banned by the Indian government. It organically went from almost zero to 200,000 downloads in just three days of the CamScanner ban. With over 1.1 million downloads on Play Store; the app has over 70,000 daily unique users.

The app is available in Hindi and English, their 70% downloads are from WhatsApp forwards and Social Media outreach in about 1.5 months. Kaagaz Scanner allows users to scan as many pages as needed with direct sharing to email, WhatsApp and other platforms. The Gurugram-based Ordenado Labs have plans to add support via AI-based cloud storage. This will allow documents to be auto arranged into buckets like Personal ID, Insurance, Invoices, Employment, Medical and various different categories and a freemium monetization model will be built.

- The brain child of Kaagaz Scanner are Snehanshu Gandhi, Gaurav Shrishrimal, and Tamanjit Bindra
- Started in 2019 as Ordenado Labs.
- Snehanshu graduated from IIT-Bombay in 2007 and ISB Hyderabad in 2012.
- Gaurav is an IIT-Kanpur alumnus.
- Tamanjit is an Army Institute of Technology Pune alumnus.



Young developers from places such as Solapur in Maharashtra and Gir Somnath village in Gujarat have launched Indian alternatives to consumer-centric Chinese utility apps. These apps are Bharat Scanner, Share India and ShareKaro focused on categories under file-sharing and management, photo-scanning and phone cache cleaning, among other applications. Indian consumers exploration for a file sharing app have resulted in alternatives like JioSwitch, MX ShareKaro, InShare, Files by Google, SHAREgo, SFT - Swift File Transfer, Bhejo and UpSend.



The Indian start-up Chingari has already hit 10 million downloads on Google Play Store in no time and its accidental success is due to its similarity to TikTok.

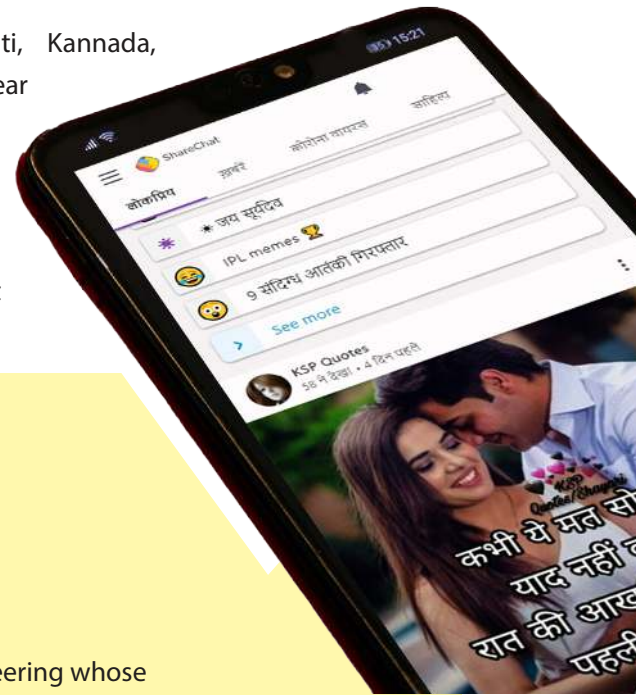
The app allows users to record a video or act on a movie dialogue. The platform currently offers content in 11 languages and the company is in the process of adding more languages in the future to enhance the overall user experience. Chingari has been engineered and developed for over 2 years with regular feedback from the users.

Unlike TikTok, Chingari claims to take content moderation very seriously before being posted on the platform. They follow the Waterfall model and a video on Chingari doesn't go viral immediately. Soon Chingari users will be able to follow and receive latest updates in partnership from the streaming platform ALTBalaji.

- The Bengaluru based software development Company is co- founded by Sumit Ghosh and Biswatma Nayak in 2018.
- Sumit Ghosh started his entrepreneurial career with IT services company Globussoft and scaled it to 60 crore annual revenues. Socioboard is his second venture in the digital marketing space on building automation products.
- Biswatma Nayak is a tech-geek with 8 years of experience in Android, he has built 10-15 social media automation tools, dating apps and scaled them to 1M users.

Another development is seen in India's home-grown social network ShareChat which currently has more than 150 million registered users and 60 million monthly active users across 15 Indian languages. It is India's largest regional language social media platform with an exponential growth seen in its Moj app, a TikTok alternative. With a competitive advantage now, in absence of TikTok in India, ShareChat is looking to raise \$150-200 million and is holding discussions with investors and big technology companies. Reports claim that they have added 15 million users in just 36 hours after ban.

With around 15 languages including Assamese, Tamil, Gujarati, Kannada, Hindi, and Bhojpuri, this platform, in the course of its four year existence has previously received investment from Twitter. This Bengaluru-based social media firm's Moj got 10 million downloads within 6 days of its launch and is strictly for users who are looking for 15 seconds of fame by creating short-videos. Currently Google has an eye on ShareChat as Microsoft is set to go after TikTok in the US.



- The three IIT Kanpur Alumnus, Ankush Sachdeva, Bhanu Pratap Singh and Farid Ahsan started ShareChat as a debate platform.
- Ankush is CEO of ShareChat and has a B.Tech degree in Computer Engineering. He is responsible for the overall Growth Strategy of the platform.
- Bhanu is CTO of ShareChat and has a B.Tech Degree in Electrical Engineering whose main focus is on technical strategy and scalability of the platform.
- An avid cricketer, reader and swimmer, Farid is the COO of ShareChat with a B.Tech degree in Material science and Engineering.

Since the ban on TikTok, more than a dozen short-video apps, including Roposo, Dailyhunt's Josh, and MX Player's TakaTak, are vying for the top spot. MX Player is owned by Times Internet, the digital arm of the Times Group that includes The Economic Times. GoSocial has over 80,000 users which has seen 20% jump in its user base post the ban. Trell, the social media app claimed that a 500 percent jump in its traffic in just 24 hours post the ban announcement. Another 'Made in India' short video app named Roposo have also experienced more than 65 million downloads in a short span of time. A part of InMobi Group, Roposo has 80 million videos created monthly. This is available in 12 Indian languages and has more than 14 million video creators.





“Apart from the above players, a soon to be launched game FAU-G has been doing rounds.”

Developing a substitute of one of the most populous games PUBG is a huge responsibility that the homegrown rival named nCore Games from Bengaluru has vouched to accomplish. It is set to be launched by the end of October 2020, the name FAU-G stands for “Fearless and United Guards”.

The launch of FAU-G echoes the sentiment of Prime Minister Narendra Modi’s call for an “Atmanirbhar” nation. Founded in 2018, Vishal Gondal is a major investor in the firm with Dayanidhi MG as chief executive of the firm that is mentored by the veteran actor Akshay Kumar.

Reports state that the team at nCore had been working on FAU-G since June 2020 after the Galwan attacks – the clash in Ladakh that led to the martyrdom of 20 Indian soldiers and unspecified number of casualties on the Chinese side. It further claims that the launch of this new game has nothing to do with the ban on PUBG.

nCore is developing multi player games with immersive storylines with the prime aim to strongly connect games with Indian ethos. The game is expected to be multiplayer and involve maps and many features with an expectation to attract 200 million users in a year. Media reports further states that 20% of the net revenue generated through the game shall be donated to Bharat Ke Veer Trust that was set up after the 2019 Pulwama terror attack.

Vishal Gondal is not new to making war games. In the past, he had developed a game named Yoddha, set up in the backdrop of the Kargil War where Indian soldiers aimed at shooting down terrorists. He had previously backed about 25 startups, spread across, India, Singapore and in the US. He is also the founder of wearable devices startup GOQii (healthcare platform which currently operates out of Menlo Park, California) as well as Indiagames (created in 1999 and sold it to Disney in 2011). They have also exclusively partnered with Rovio Entertainment (the Finnish game developers associated with the popular Angry Birds franchise).

According to industry estimates, annual mobile gaming revenues in India are forecast to grow multifold to over \$1 billion in 2021 thereby making India the fastest-growing mobile games market in the world by overall revenue. Undoubtedly, India’s still-nascent gaming sector is poised for a breakthrough. Allied with rising demand for mobile content, greater smartphone penetration and lower cost of data the mobile gaming market can prove to be a boon for the Indian economy in the home grown segment.



Intersection of Challenges & Opportunities

India has a fragile economic and social fabric and the country is facing an extraordinary challenging time at multiple fronts including economic instability and geopolitical concerns. India is striving hard to reduce the decoupling effect of the economy that was already at a low even before COVID-19. Furthermore, this crisis has disrupted global supply chains to a larger extent. Adding to the woes, the fall in investor sentiment is seen impacting government revenues and growth prospect.

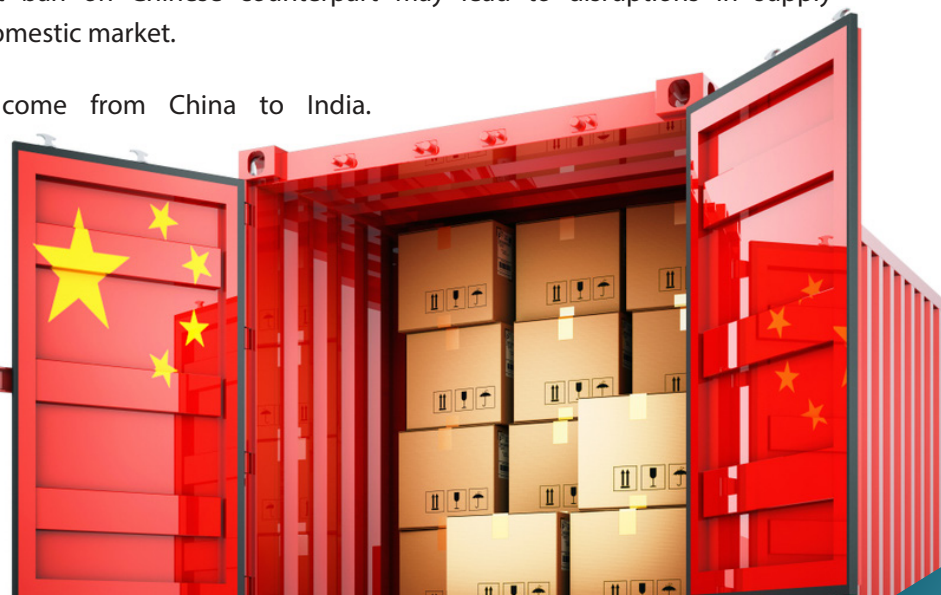
Evidently, India has huge trade deficit with China. In 2018-19, India's exports to China were mere \$16.7 billion, while imports were as high as \$70.3 billion. A trade deficit of \$53.6 billion, that fell to \$48.66 billion in 2019-20 on account of the decline in imports from the neighboring country. Exports to China in the last financial year stood at USD 16.6 billion, while imports aggregated at USD 65.26 billion. The main imports from China include clocks and watches, musical instruments, toys, sports goods, furniture, mattresses, plastics, electrical machinery, electronic equipment, chemicals, iron and steel items, fertilizers, mineral fuel and metals.

"The total electronic imports of India is around 45% that of China."

India purchases approximately one-third of machinery and almost two-fifths of organic chemicals from China. In the fertilizers and automotive parts segment China's share in India's import is more than 25%. In the pharmaceuticals market, Indian drug makers import about 70% of active pharmaceutical ingredients (API) requirement and are heavily dependent on China. Owing to cost competitiveness, an import ban on Chinese counterpart may lead to disruptions in supply chain for Indian firms adversely affecting the domestic market.

Around 90% of certain mobile phones come from China to India.

The Smartphone market is dominated by Chinese players. It is the undisputed leader with prominent players like Xiami, Realme, Vivo, Motorola, Lenovo, Coolpad, LeEco, Oppo, Oneplus and many more. These companies have around 42% market share in terms of global sales.



However, the contribution of Chinese smartphone brands fell to 72% in June quarter from 81% in March 2020 quarter. Xiaomi led the tally with 29% share of the smartphone market, followed by Samsung (26 per cent), Vivo (17 per cent), Realme (11 per cent), Oppo (9 per cent) and others (8 per cent) in the June quarter. Feature phone market was the worst affected segment. It declined by 68% y-o-y in the June 2020 quarter as consumers in this highly cost-sensitive segment tried to save money by reducing discretionary purchases. China's OnePlus regained its top position in the premium market (over Rs 30,000 segment), while Apple remained the leading brand in the ultra-premium segment (over Rs 45,000).

The government is taking steps such as framing technical regulations and quality norms for several products to cut dependence on China for imports. It has also imposed anti-dumping duties on several goods which are being dumped in the domestic market at below the average prices from China with a view to guard domestic players from cheap imports.

What Lies Ahead!



Long ago before India and China sealed their borders in modern times, the two countries enjoyed strong ties of mutual admiration and respect. Buddhism traveled from India to China in 67 AD along the Silk Road through Monk Fa-hsien who traveled from China to India to study Buddhism and brought back Buddhist texts that were still unknown to China. Such continuity of goodwill blossomed after the birth of the two modern states - India in 1947 and China in 1949. However, lately during many instances, China's diplomatic provocations and geopolitical aggression has only fostered and raised possibilities of conflict on multiple fronts.

The global reaction and India's response to protect their respective countrymen from the clutches of the pandemic has been rather tedious since past few months and the economic impact is quite disturbing. As a result, countries are proactively resorting to crackdown of Chinese technology that can infringe data privacy at mass level. All Chinese firms' flexibility on free expansion strategies across the world is under jeopardy. They are coerced to explore new territories post the pressure created for a 'clean network program' by US. For instance, ByteDance is being forced to sell TikTok's U.S. assets under pressure from the Trump administration and is planning to invest billions of dollars and recruit hundreds of employees in Singapore over the next three years.

Moreover, the banning of Chinese apps in India have left a big gap for the overall industry that now presents opportunities for India based technology firms. Indian Industry is trying to stir its own domestic technology through Narendra Modi's biggest rule of self-reliance for attaining the objective of building an 'Aatmanirbhar Bharat'. This is pushing India's own homegrown technology agenda far and wide.

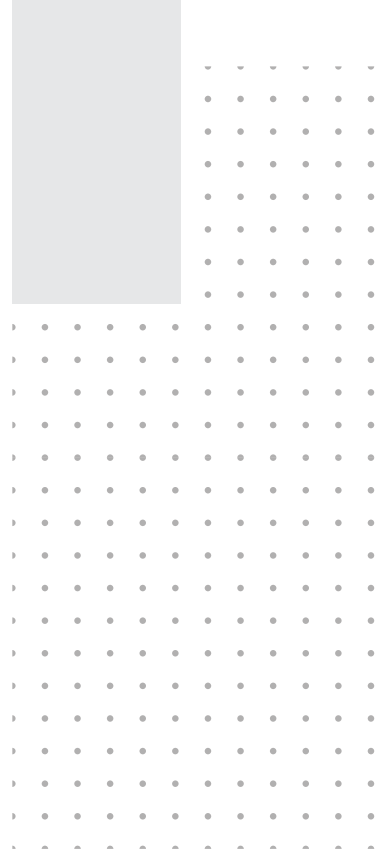
\$10 BILLION



Google for
INDIA
Digitization Fund

Industry experts' states that as India has proven attractive to China's technology firms in earlier times, so it now may present an opportunity for US giants to invest in India. In fact, both the countries are striving to foster one of the most solid relationships of the 21st century. Recent developments are proving to showcase the beginning of the journey where larger firms like Facebook and Google are investing an amount of over \$10 billion collectively into Indian digital services firm Jio Platforms. The investment is seen as a way for these technology giants to get a bigger foothold in the Indian market helping both the nations to sail through the inadvertent crisis symbiotically.

India has young workforce with brilliant minds that adds to its strengths. It represents a possible alternative to China at a time when the USA and other countries are realigning itself away from China. However, the spiraling infections and a devastated economy have enormous consequences with a very low visibility of recovery in the near future. The investment crisis and India's large debt pile even before the crisis is inexplicable and cannot reinvigorate the economy in the coming months, may be in years. Hence, the policy makers urgently need to find ways to cushion the slopping state of the current economy by all means as the Indian economy has shrunk faster than any other major nation. Recovery needs reform. It is a high time to rise with an unified agenda of solving the existential crisis. Some urgent, real and immediate reforms are a must to be called for with full preparation before it leaves no scope of resurrection.



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Knowledgetics Study

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