

India - China Trade Relations

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What's in today's article?

- **Why in News?**
- **Background**
- **India-China Trade Relationship (Data, Imports/Exports, Reasons behind trade deficit)**

Why in News?

- China's latest transgression on the Line of Actual Control (LAC) in Arunachal Pradesh led to calls for snapping trade ties.
- However, official data show that India's imports from China have jumped to a record high over the last 30 months.

Background:

- Indian and Chinese soldiers clashed in the Tawang sector of **Arunachal Pradesh** last week.
- Both the countries had been working to de-escalate tensions since the major clash which took place in Galwan valley in 2020.
- The incident took place on December 9 after 300-400 soldiers from the People's Liberation Army (PLA) intruded across the Line of Actual Control.
- The intrusion was resisted by Indian soldiers deployed there in a firm and resolute manner, forcing the Chinese to retreat.

India - China Trade Relationship:

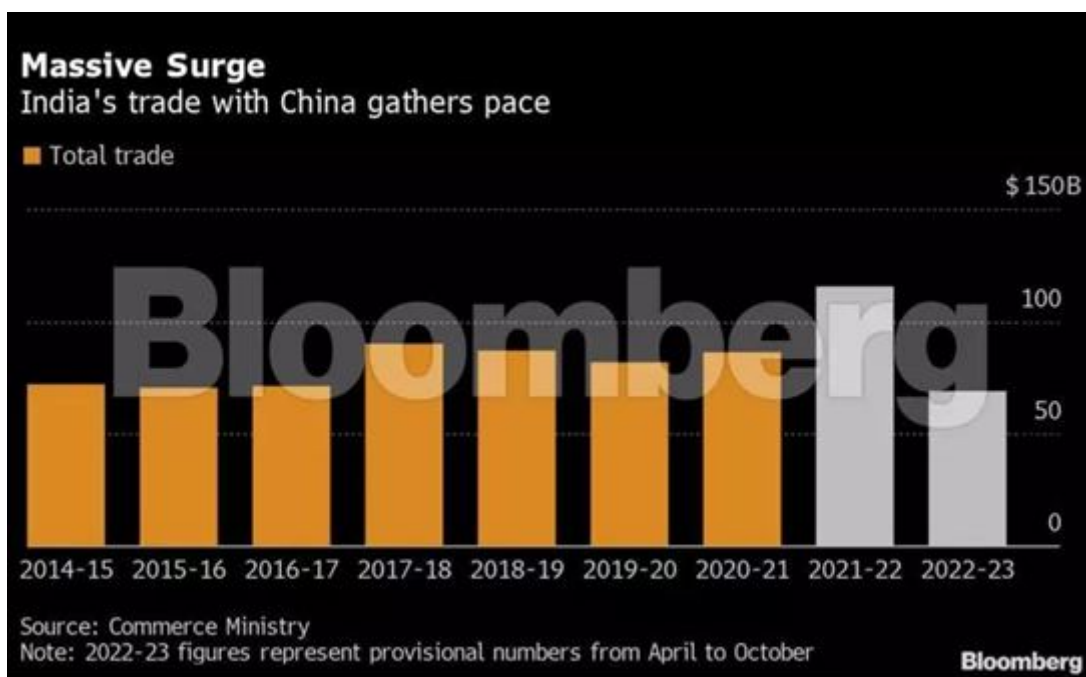


Image Caption: India's trade with China

- According to data from the data from the Commerce Ministry, the total merchandise trade between India and China rose 34% to **\$115.83 billion** in the 12 months to March 2022.
- Trade between the two nations so far this year — between April and October — stood at **\$69.04 billion**.

What are the major Imports/Exports from/to China?

- China is **India's largest trade partner for the year 2022**.
- India's major imports from China are –

- Electronic goods (\$35.4 billion), engineering goods (\$24.9 billion), chemicals and related products worth \$19.6 billion, other manufactured goods (\$8.3 billion), and textiles (\$2.8 billion).
- India's major exports to China include –
 - Engineering goods (\$5.4 billion), agricultural and allied products (\$3.8 billion), ores and minerals (\$2.9 billion), chemicals and related products (\$2.9 billion), and petroleum and crude products (\$1.9 billion).
- Traditionally, India imports more from China than it exports, **thus India's trade balance in 2021 stood at negative \$65.05 billion.**

What are the reasons behind high trade deficit?

- The reason behind India's extremely high and continuously widening import-export trade deficit is that **it imports goods to fill the gap** between domestic production and supply as well as consumer and demand preferences for various products.
- More specifically, the growth of the trade deficit can be attributed to two factors –
 - A narrow basket of commodities, mostly primary, that India exports to China.
 - Market access impediments for most Indian agricultural products and competitive markets, such as pharmaceuticals, IT/ITES, etc.
 - The raw material-based commodities that India exports have been overshadowed by Chinese exports over time.
- Many industries in India, **especially the medical industry, are heavily reliant on Chinese products.**
- For example, India's \$42 billion pharmaceutical industry imports about 68% of its active pharmaceutical ingredients (APIs) APIs from China.

Q1) Does China and India have free trade agreement?

No. As of yet, India and China do not have any free trade agreement.

Q2) How much do India import from China?

During 2021-22, 15.42 per cent (\$94.57 billion) of India's total imports (\$613.05 billion) came from China.

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