

China reclaims India's top trading partner tag

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Why in News?

China has emerged as the largest trading partner of India with USD 118.4 billion two-way commerce in 2023-24, narrowly overtaking the US (India-US two-way trade came in at \$118.3 billion in FY24). This has been revealed by the data released by the think tank Global Trade Research Initiative (GTRI).

The US was India's top trading partner during FY22 and FY23 after China was the top bilateral trading partner in FY21.

Bilateral trade between India and China

- **Statistics**

- India's bilateral trade with China in FY24 stood at \$118.4 billion.
- India's imports increased by 3.24 per cent to \$101.7 billion and exports rose by 8.7 per cent to \$16.67 billion in FY24 compared to FY23.

- **Surge in imports for China in recent years - statistics**

- Between FY19 and FY24, India's exports to China witnessed a marginal decline in exports by 0.6 per cent, down from \$16.75 billion to \$16.66 billion.
- However, during the same period, imports from China surged by 44.7 per cent, up from \$70.32 billion to \$101.75 billion.

- **Major Imports from China to India**

- India's major imports from China include:
 - Electrical, electronic equipment, engineering goods, chemicals and related products, plastics, other manufacturing goods and textiles.

- **Major Exports from India to China**

- India's major exports to China include engineering goods, agricultural and allied products, ores and minerals, chemicals and related products, Petroleum & crude products etc.

- **Existing trade deficit**

- The balance of trade is highly tilted in favour of China.
- The growth in imports from China led to an expanding trade deficit, rising from USD 53.57 billion in FY2019 to **USD 85.09 billion in FY2024**.

- **Reasons behind high trade deficit**

- **Gap between domestic production and demand for various products**

- India imports goods to fill the gap between domestic production and supply as well as consumer and demand preferences for various products.
- This is the major reason behind India's extremely high and continuously widening trade deficit.

- **Export of raw materials while importing finished goods**

- India's predominant exports have consisted of iron ore, cotton, copper, aluminum and diamonds/natural gems.
- However, majority of Chinese exports consist of machinery, power-related equipment, telecom equipment, organic chemicals and fertilizers.
- This resulted in decline in total value of India exports to China.

- **Indian pharmaceutical industry is heavily dependent on APIs from China**

- India's pharmaceutical industry imports about 68% of its active pharmaceutical ingredients (APIs) from China.

- **Other 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.

- **Strategic implications of widening trade deficit**

- India trade relations with China have been under scrutiny largely due to India's dependence on the neighbouring country's critical products.

- These products include telecom & smartphone parts, pharma, advanced technology components among others.
- It should be noted that China is the top supplier in eight major industrial sectors, including machinery, chemicals, pharmaceuticals, and textiles.
- In the fast-emerging EV sector too, India's dependence on China is high as lithium-ion batteries for EVs, imported from China.
 - These were valued at \$2.2 billion, comprising 75 per cent of such imports, and are critical for India's electrification of transport.
- The strategic implications of this dependency are profound and affects not only economic but national security dimensions.
- Now, India has undertaken significant measures to decrease its dependence on China through production linked incentive schemes (PLI), anti-dumping duties along with quality control orders.

India - US bilateral trade

• Statistics

- India-US two-way trade came in at \$118.3 billion in FY24 after exports dipped by 1.32 per cent to \$77.5 billion compared to the previous financial year.
 - During this period, imports also dipped 20 per cent to \$40.8 billion.

• Recent trend

- During the last five years, trade with the US showed positive growth, with exports increasing significantly by 47.9 per cent from \$52.41 billion to \$77.52 billion.
- Imports from the US grew by 14.7 per cent, rising from \$35.55 billion to \$40.78 billion.
- This resulted in an **expanded trade surplus for India**, which grew from \$16.86 billion to \$36.74 billion.

Trade relation with other countries (for 2019 - 2024)

- In 2023-24, the UAE with USD 83.6 billion, was the third largest trading partner of India.
- It was followed by Russia (USD 65.7 billion), Saudi Arabia (USD 43.4 billion), and Singapore (USD 35.6 billion).
- **With Russia**
 - During the last five years, Russia's trading figures were marked by a dramatic increase, with exports growing by 78.3 per cent from \$2.39 billion to \$4.26 billion.
 - On the other hand, imports soared by 952 per cent from \$5.84 billion to \$61.44 billion, widening the trade deficit from \$3.45 billion to \$57.18 billion.
- **With Saudi Arabia**
 - Saudi Arabia's exports more than doubled, with a 107.9 per cent increase from \$5.56 billion to \$11.56 billion.
 - Imports rose at a slower pace by 11.7 per cent from \$28.48 billion to \$31.81 billion, which slightly reduced the trade deficit from \$22.92 billion to \$20.25 billion.
- **With UAE**

- Exports to the UAE rose by 18.3 per cent from \$30.13 billion to \$35.63 billion, and imports increased substantially by 61.2 per cent from \$29.79 billion to \$48.02 billion.
 - This shift turned a marginal trade surplus of \$0.34 billion in FY19 into a deficit of \$12.39 billion by FY24.
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Q.1. What are Active pharmaceutical ingredients (APIs)?

Active pharmaceutical ingredients (APIs) are the main ingredients in drugs that produce the desired effect on the body. They are also known as drug substances or pharmacologic substances.

Q.2. What is Global Trade Research Initiative (GTRI)?

The Global Trade Research Initiative (GTRI) aims to create jargon-free and high-quality outputs for governments and industry on issues related to trade, technology, and investment. GTRI has provided insights into export and import product markets, and world trade analysis.

Source: India's top trade partner: China regains spot on higher imports | Times of India | Outlook

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