India’s Foreign Trade with its Major Trading Partners

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Why in News?

- According to the latest data of the Ministry of Commerce & India, India has recorded a trade deficit (difference between imports and exports) with 9 of its top 10 trading partners in fiscal year (FY) 2023-24.

India’s Foreign Trade:

- **Overview:**
    - Foreign trade in India includes all (merchandise + services) imports and exports to and from India and it accounted for **48.8% of India’s GDP in 2018**.

    - At the level of the Central Government, trade is administered by the **Ministry of Commerce and Industry.**
    - In 2022, India was the number 15 in total exports, the number 8 in total imports.
    - According to the Commerce Ministry data, **China** was India's top trading partner from 2013-14 till 2017-18 and also in 2020-21.
    - **Before China**, the UAE was the country's largest trading partner. **The US was the largest partner in 2021-22 and 2022-23.**
- **Exports (merchandise):**
    - **The top exports of India are** Refined Petroleum ($86.2B), Diamonds ($25.9B), Packaged Medicaments ($19.5B), Jewellery ($12.6B), and Rice ($11.1B).
    - **It exports mostly to the United States** ($82.9B), United Arab Emirates ($31.6B), Netherlands ($17.6B), China ($15.3B), and Bangladesh ($13.8B).
    - **In 2022, India was the world's biggest exporter** of Diamonds ($25.9B), Rice ($11.1B), etc.
- **Imports (merchandise):**
    - **The top imports of India** are Crude Petroleum ($170B), Coal Briquettes ($58.7B), Gold ($35.8B), Petroleum Gas ($32B), and Diamonds ($26.1B).
    - **It imports mostly from China** ($110B), UAE ($51B) and the US ($48.5B), Saudi Arabia ($46.2B), and Russia ($40.4B).
    - **In 2022, India was the world's biggest importer** of Coal Briquettes ($58.7B), Diamonds ($26.1B), Palm Oil ($11.1B), Mixed Mineral or Chemical Fertilizers ($7.88B), and Nitrogenous Fertilizers ($7.37B).

Latest Trends of India's Foreign Trade:

- As per the data from the economic think tank GTRI, **China has overtaken the US as India's largest trading partner**, with a total two-way commerce of **$118.4 billion**, in the **FY 2023-24.**
    - India's exports to China rose by 8.7% to $16.67 billion, while imports increased by 3.24% to $101.7 billion.
- On the other hand, exports to the **US** dipped slightly to $77.5 billion, and imports decreased by about 20% to $40.8 billion (the two-way commerce stood at $118.3 billion).
- **The UAE** with USD 83.6 billion, was the third largest trading partner of India. It was followed by **Russia** ($65.7 billion), **Saudi Arabia** ($43.4 billion), and **Singapore** ($35.6 billion).

India's Trade Deficit with its Major Trading Partners:

- **Latest trends:**
    - **India's trade deficit** with China rose to $85 billion, Russia to $57.2 billion, Korea to $14.71 billion and Hong Kong to $12.2 billion in 2023-24 against $83.2 billion, $43 billion, $14.57 billion and $8.38 billion in 2022-23.
    - **India has a trade surplus** of $36.74 billion with the U.S. in 2023-24 and America is one of the few countries with which India has a trade surplus along with the U.K., Belgium, Italy, France and Bangladesh.

    - **India’s total trade deficit** in the last fiscal narrowed to $238.3 billion as against $264.9 billion in the previous fiscal.
- **What can be drawn from these latest trends?**
    - **Imports are not always bad** if a country is importing raw materials or intermediary products to boost manufacturing and exports.
    - However, it can cause the country’s currency to **depreciate** because more foreign currency is needed for imports.
    - This depreciation makes **imports more expensive, worsening the deficit and increasing external debt**.
    - This can deplete foreign exchange reserves and signal economic instability to investors, leading to reduced foreign investment.

What needs to be done to cut the trade deficit? Boosting exports, reducing unnecessary imports, developing domestic industries, and managing currency and debt levels effectively.

Q.1. What is the share of services in India’s total foreign trade?

With 4.6% of all services traded globally, India ranks seventh in the world as a commercial service exporter as of 2023.

Q.2. What is India’s foreign trade policy (FTP) 2023?

The FTP 2023 aims at process re-engineering and automation to facilitate ease of doing business for exporters. It also focuses on emerging areas like dual use high end technology items, facilitating e-commerce export, collaborating with States and Districts for export promotion.

Source: India in trade deficit with nine of top 10 trading partners in 2023-24 | ET
