

# India-China trade relations

December 15, 2022

**In news**— Amid fresh demands for snapping of trade ties with China in the wake of the Tawang skirmish, official data show that India's imports from the neighbouring country spiked sharply post the Galwan clash of 2020.

## **Comparison of India's trade with China & the USA-**

- **China is India's second biggest trading partner after the United States.**
- In 2021-22, India-China bilateral trade stood at \$115.83 billion, which was **11.19 per cent of India's total merchandise trade** of \$1,035 billion. The US was just a notch above, with 11.54 per cent (\$119.48 billion) share.
- **Till 20 years ago, China figured at the 10th position (2001-12) or lower.**
- However, **from 2002-03, it started an upward march and became India's top trading partner in 2011-12.**
- In the next year, the UAE dislodged it to the second place. However, China bounced back and again became **India's top trading partner in 2013-14, and remained there till 2017-18.**
- For the next two years (2018-19 and 2019-20), the US was at the top but in 2020-21, China again became India's number trading partner.
- While China and the US have both been India's top trading partners in recent years, there is a big difference between the trade with the world's two largest economies.
- While with the **US, India had a trade surplus of \$32.85 billion during 2021-22, with China, it had a trade deficit of \$73.31 billion, the highest for any country.**
- In fact, **India's trade deficit with China during 2021-2022 was double the previous year's level (\$44.02**

**billion)** and it was an all-time high.

- Apart from the US and China, the **other eight countries** and regions among **India's top-10 trading partners during 2021-22 were UAE, Saudi Arabia, Iraq, Singapore, Hong Kong, Indonesia, South Korea, and Australia.**
- India's trade deficit with China has increased from \$1 billion to \$73 billion in the past 21 years.
- Data show that imports from China have skyrocketed since the beginning of this century—from \$2 billion in 2001-02 to \$94.57 billion in 2021-20.
- However, during this period, **India's exports to China have increased at a snail's pace**—from about \$1 billion to \$21 billion.
- It is expected to rise further in 2022. In fact, China alone accounted for over one-third of India's total trade deficit (\$191 billion) during 2021-22.
- The rising gap between imports and exports from China is evident from the fact that two decades ago, India's imports accounted for about 60 per cent of the total bilateral trade between two countries, but now it is over 80 per cent.

### **What does India buy from China?**

- **The top commodities that India bought included:** electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers and parts; nuclear reactors, boilers, machinery and mechanical appliances and parts of thereof; organic chemicals; plastic and plastic articles; and fertilisers.
- A look at the item-wise list of the imports shows that **the most-valued Chinese item in the Indian import basket was the personal computer (laptop, palmtop etc),** which accounted for \$5.34 billion in 2021-22.
- It was followed by **'monolithic integrated circuits-digital', lithium-ion,** solar cells and urea.

- **As far as the US is concerned, India imported petroleum crude, coking coal, LNG, diamonds, almonds, turbo-jets, etc.**

### What China buys from India?

- **Among the top commodities China bought from India included: Ores, slag and ash;** organic chemicals, mineral fuels, mineral oils and products of their distillation, bituminous substances, mineral waxes; iron and steel (\$1.4 billion); aluminum and articles of thereof; and cotton.
- Among single items, **light Naphtha (\$1.37 billion) was India's most valued export item to China** during 2021-22.
- **As far as the United States is concerned, diamonds, gold jewellery set with diamonds,** vannamei shrimp, and turbo-jets were among the top items imported from India.