

Up 2.3 times in 15 years, India's Chinese import bill to rise further

Growing trade deficit with China is a cause of concern, says think tank; China is the top supplier in eight major industrial sectors, including machinery, chemicals, pharmaceuticals and textiles

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India's imports from China crossed \$101 billion in 2023-24 from about \$70 billion in 2018-19, and the country's share of India's industrial goods imports has risen from 21% to 30% over 15 years. | Photo Credit: Getty Images/iStockphoto

India's imports from China crossed \$101 billion in 2023-24 from about \$70 billion in 2018-19, and the country's share of India's industrial goods imports has risen from 21% to 30% over 15 years, according to a report by the Global Trade Research Initiative (GTRI) which reckoned that Chinese imports will rise sharply in coming years.

Goods imports from China have risen 2.3 times faster than India's total imports over 15 years, the GTRI study noted, adding that China is the top supplier in eight major industrial sectors, including machinery, chemicals, pharmaceuticals, and textiles, belying the general perception that Chinese imports are high only in the electronics sector.

“Growing trade deficit with China is a cause of concern,” the think tank said in its report analysing India's growing industrial sector imports from China. Between 2018-2019 and 2023-24, India's exports to China have stagnated around \$16 billion annually while imports have surged, resulting in a cumulative trade deficit exceeding \$387 billion over six years, it said.

Earlier this month, the Commerce Ministry had said that India's exports to China have increased in the past year in as many as 90 principal commodities out of the total 161 items shipped to the country. These 90 commodities accounted for 67.7% of India's export basket to China and include iron ore, telecom instruments and electronic components.

For its analysis, GTRI defined industrial goods by excluding agriculture, ores, minerals, petroleum, gems and jewellery products. The industrial goods analysed through product-level import data in the study represent 98.5% of India's imports from China.

India's total merchandise imports stood at \$677.2 billion in 2023-24, of which 15% or \$101.8 billion worth goods were sourced from China. Of these, \$100 billion of imports were in major industrial product categories, amounting to 30% of such imports, and that share stood over 70% for some products. Fifteen years ago, China's share of the same goods' imports was 21%, the study said.

GTRI illustrated the “significant reliance on imports from China across various sectors”, citing trends from the first 10 months of 2023-24. Almost 42% of India's textile and clothing imports and 40% of its machinery imports in the period came from China, while that number was 38.4% for electronics, telecom and electrical products.

China also accounted for 29.2% of chemicals and pharmaceuticals imports into India, 25.8% of plastic product imports and 23.3% of automobile sector inbound shipments. A lower dependence on China was seen in the case of iron, steel and base metal imports, with just 17.6% share of inflows coming from the neighbouring nation.

“Half of the imports from China consist of capital goods and machinery, indicating a critical need for focused research and development in this area. Intermediate goods like

organic chemicals, Active Pharmaceutical Ingredients, and plastics, which represent 37% of imports, show a pressing need for upgrading these industries,” GTRI concluded.

Strategic implications

The strategic implications of this dependency is ‘profound’ and affects not only economic but national security dimensions, the study said, mooting a reassessment of India’s import strategies. “This is imperative not only to mitigate economic risks but also to bolster domestic industries and reduce dependency on single-country imports, especially from a geopolitical competitor like China,” it said.

“So far, imports were carried out by Indian firms. Now with the entry of Chinese firms in Indian market, India’s industrial product imports are set to rise at an accelerated pace. As the Chinese firms operating in India will prefer sourcing most requirements from their parent firms, Indian imports will rise sharply,” the GTRI study noted.

As per the study, India had exported \$10 billion worth of goods to China in 2005, and enjoyed a trade surplus with its neighbour between 2003 and 2005. After 2005, Chinese goods dominated trade flows, steadily magnifying the trade deficit for India.