



## India's Import Dependence on China

**For Prelims:** Galwan Valley Clash, India-China Tawang Engagement, Indo-China Trade Ties

**For Mains:** India-China trade ties, India's heavy import dependence and trade deficit with China, Countering import dependence on China

### Why in News?

The recent Tawang skirmish has led to rising demands for severing trade ties with China. However, contrary to the demands, India's imports from China have seen a sharp increase post the Galwan Valley clash in 2020.

### How are India's Trade Relations with China?

- **One of the Biggest Partners:** China is India's **second biggest trading partner after the US**.
  - In 2021-22, Indo-China bilateral trade was USD 115.83 billion - 11.2% of India's total merchandise trade of USD 1,035 billion (Indo-US trade - 11.54%).
  - China as a trading partner stood at 10th position about 2 decades ago; this **upward trend has begun since 2002-03**.
  - **China was India's top trading partner** in 2011-12, from 2013-14 to 2017-18 and in 2020-21.

**Note:** Apart from the US and China, the other 8 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.

- **Difference in Trade with China and US:**
  - The major difference in India's trade with the US and China is that while **India enjoys a trade surplus with the US** (USD 32.85 bn - 2021-22), **with China India has a trade deficit** of USD 73.31 bn (2021-22), the **highest for any country**.
  - While **India's imports from China** (between 2001-02 and 2021-2020) have increased from USD 2 bn to USD 94.57 bn, (in the same period) **India's exports to China** have increased from about **USD 1 bn to only USD 21 bn**.
- **Major Imports:**
  - The **top commodities** that India buys from China include:
    - **Electrical machinery** and equipment and parts thereof
    - **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
- **Fertilisers**
- The **most valued** Chinese imports are:
  - **Personal computer** (laptop, palmtop etc.) > **monolithic integrated circuits-digital** > **lithium-ion** > **solar cells** > **urea**
- **Major Exports:**
  - In 2021-22, India's exports to China were **5% of its total shipments**. The **top exported commodities** included:
    - **Ores**, slag and ash
    - **Organic chemicals**, mineral fuels/oils and products of their distillation, bituminous substances, mineral waxes;
    - **Iron and steel**
    - **Aluminum** and articles
    - **Cotton**
    - Among single items, **light Naphtha was India's most valued export**

## What does Heavy Import Reliance on China Imply?

- From the perspective of the government, the **political and security challenges are deepened** when the state is dependent on importing products and services from an unfriendly country.
- India **imports most of the [Active Pharmaceutical Ingredients \(APIs\)](#)** it uses in its pharmaceutical industry from China. The cost of Chinese APIs is cheaper than the Indian ones even on the Indian market.
  - The depth of the problem was revealed during the Covid-19 pandemic when due to travel restrictions, exports of Chinese APIs to India were temporarily restricted and consequently India had to cut its exports of APIs too.
- Approximately **24% of coal energy generated in India** may be coming from plants that are **using critical equipment imported from China**. This, therefore, may not necessarily be considered a strategic dependence, **but is certainly a form of a security challenge**.
  - While there are demands to limit or even block such imports from China, this would simply mean **forcing private Indian power companies to suffer higher costs**.

## What has India done to Counter Over-Reliance on China?

- **[Ban on Chinese apps](#)**
- Scrutinising Chinese investments - keeping Chinese companies out of **[5G trials](#)**
- Curbing opportunistic takeover of domestic firms - **[FDI restriction on China](#)**
- Cutting import dependency for APIs - **[Promotion of Bulk Drug Parks and PLI Scheme](#)**
- De facto ban on the **import of Chinese power equipments**
- Imposed **[anti-dumping duties](#)** - On certain aluminium goods and chemicals, **for 5 years to protect local manufacturers**
- Identification of 12 sectors to **make India a global supplier and cut import bills**
  - These sectors are food processing, organic farming, iron, aluminium and copper, agro-chemicals, electronics, industrial machinery, furniture, leather and shoes, auto parts, textiles, and coveralls, masks, sanitisers and ventilators.

## Way Forward

- India cannot completely end its strategic dependence on the import of most crucial products. What it can do, however, is **diversify this dependence by reducing China's role in it**.
  - India can diversify dependence by working more with the U.S., Europe, South Korea and Japan. This way it will **increase its reliance on countries with which it also enjoys good political relations**.
- Providing **further impetus to self-reliance** in major sectors **where India is a net-importer** is a prudent way forward where **technology and capital will have a huge role to play**.

**UPSC Civil Services Examination, Previous Year Questions (PYQs)**

**Q.** “China is using its economic relations and positive trade surplus as tools to develop potential military power status in Asia”. In the light of this statement, discuss its impact on India as her neighbour. **(2017)**

[Source: IE](#)

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