



## India's Trade with China

**For Prelims:** India-China Trade, Active Pharmaceutical Ingredients (APIs), ASEAN, European Union, Pangong lake, New Border Law.

**For Mains:** India's Economic Dependence on China and way ahead.

### Why in News

**India's trade with China in 2021 crossed USD125 billion with imports from China nearing a record USD100 billion**, underlining continued demand for a range of Chinese goods, particularly machinery.

- This is [when the relations hit a new low](#) due to the prolonged standoff by the militaries in eastern Ladakh.



### Key Points

- **India's Biggest Exports to China:**
  - India's biggest exports to China in recent years were iron ore, cotton and other raw material-based commodities, which have seen a recovery in demand in China last year (2021).

## ▪ India's Biggest Imports from China:

- India has imported large quantities of electrical and mechanical machinery, [Active Pharmaceutical Ingredients \(APIs\)](#), auto components and, over the past two years, a range of medical supplies from oxygen concentrators to Personal Protective Equipments (PPEs).

## ▪ Growth in Bilateral Trade:

- The **43% year-on-year growth in bilateral trade with India was among the highest among China's major trading partners.**
- Trade figures with China's top three trading partners showed growth of 28.1% with [ASEAN](#) (to USD 878.2 billion), 27.5% with the [European Union](#) (to USD 828.1 billion), and 28.7% with the United States, to USD 755.6 billion.

## ▪ Trade Deficit with China:

- The trade deficit for India grew to USD 69.38 billion in 2021.
- India has been highlighting its concerns over the growing trade deficit with China for over a decade and calling on China to open its markets for India's IT and pharmaceutical products.
  - Trade deficit refers to a situation where the country's import dues exceed the receipts from the exports.

## ▪ Steps taken to Counter Dependence on China:

- [Ban on Chinese apps.](#)
- Increasing scrutiny of Chinese investments in many sectors, and a decision to keep Chinese companies out of [5G trials.](#)
- The government has also made its [prior approval mandatory for foreign investments](#) from countries that share land border with India to curb "opportunistic takeovers" of domestic firms - a move which will restrict FDI from China.
- To cut import dependency on China for **APIs (Active Pharmaceutical Ingredients)**, the government in March, 2020 [approved a package comprising four schemes](#) with a total outlay of Rs. 13,760 crore to boost domestic production of bulk drugs and medical devices in the country along with their exports.
- In 2020, the Ministry of Commerce and Industry **identified 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.

## Current Issues in India-China Relations

### ▪ Military Standoff in Eastern Ladakh:

- The border standoff between India's and China's armies began in May 2020 after a violent confrontation in the [Pangong lake areas](#), and both sides have gradually increased their deployment by pouring in tens of thousands of soldiers and heavy weaponry.
- On 12<sup>th</sup> January, 2022 the two sides met for the [14<sup>th</sup> round of Corps Commander-level discussions](#) to end the standoff in the remaining territories, and they promised to meet again shortly.

### ▪ [New Border Law:](#)

- China's new law on land borders has come into effect from the new year (2022).
- The law states among other things that China abides by treaties concluded with or jointly acceded to by foreign countries on land boundary affairs.

### ▪ Renaming of several places in Arunachal Pradesh:

- Several places in Arunachal Pradesh have been renamed recently by China as part of its claim on the Indian state.

- India condemned the move on a global scale and the country has responded with a clear statement that assigning invented names would do no good and would not alter the facts that the places are a part of Arunachal Pradesh.

- **Bridge across Pangong Lake:**

- Recently, it was found that China is building a new bridge on [Pangong Tso](#) which will provide an additional axis to deploy troops faster between the north and south banks of the lake, and closer to the [LAC \(Line of Actual Control\)](#).
  - The bridge is in their territory, and the Indian Army will have to factor this in its operational plans.

## Way Forward

- To reduce the dependence of Chinese products, India needs to analyze imports from China, and develop the way forward.
- Further, based on the economic complexity model, the Indian government can formulate proper road maps through compartmentalizing them as per technology and innovation capabilities.

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