GOVERNMENT OF INDIA
MINISTRY OF COMMERCE & INDUSTRY
(DEPARTMENT OF COMMERCE)

RAJYA SABHA
STARRED QUESTION NO. *54
ANSWERED ON 26.07.2024

TRADE DEFICIT WITH CHINA

*54. SHRI SANDEEP KUMAR PATHAK:

Will the Minister of COMMERCE & INDUSTRY be pleased to state:

(a) the country with which India has the highest trade deficit;
(b) the details of India's trade deficit with China in the last three years, year-wise;
(c) in what manner trade deficit with China impact the country's economy, the details thereof;
(d) the steps taken by Government to reduce trade deficit with China;
(e) the reasons for Government's failure to reduce trade deficit; and
(f) the details of the plan and steps Government proposes to take up to further reduce the trade deficit?

ANSWER

THE MINISTER OF COMMERCE AND INDUSTRY
(SHRI PIYUSH GOYAL)

(a) to (f): A statement is laid on the Table of the House.

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STATEMENT REFERRED TO IN REPLY TO PARTS (A) TO (F) OF RAJYA SABHA STARRED QUESTION NO. 54 FOR ANSWER ON 26THJULY 2024 REGARDING 'TRADE DEFICIT WITH CHINA'.

(a) India has highest merchandise trade deficit with China. It is stated that trade deficit of India with China has increased by compound annual growth rate (CAGR) of 42.85 percent during 2004-05 to 2013-14 while the same has come down to compound annual growth rate (CAGR) of 6.45 percent during 2014-15 to 2023-24 clearly indicating the success of the Government in containing rate of growth of excessive import growth from China during the past 10 years. It may be noted that from 2004-05 to 2013-14, trade deficit grew by approximately 24.8 times while it grew only by 1.75 times from 2014-15 to 2023-24.

(b) The year wise trade deficit with China can be accessed at DoC's website i.e. https://tradestat.commerce.gov.in/eidb/iecntq.asp.

(c) to (f) In the era of globalization, Global Value Chains has become increasingly influential in determining international trade as well as growth opportunities. As India is increasingly integrating with Global Value Chain, imports matter as much as exports to successful GVCs integration. Most of the goods imported from China are capital goods, intermediate goods and raw materials like Active Pharmaceutical Ingredients, auto components, electronic parts and assemblies, mobile phone parts, etc which are used for making finished products which are also exported out of India. These goods are imported for meeting the demand of fast expanding sectors like electronics, pharma, telecom and power in India. The rise in import of electronic components, computer hardware and peripherals, telephone components, etc. can be attributed to transformation of India into a digitally empowered society and a knowledge economy. India's dependence on imports in these categories is largely due to inadequate domestic supply to meet growing demand due to rising income levels. This encourages investors to invest in manufacturing such products in India to bridge the demand and supply gap & will encourage investments including FDI, spur economic growth and create job opportunities in manufacturing and associated ecosystem.

Thus, to enhance domestic supply, and reduce dependency on imports, Government of India has taken several initiatives. Under 'Make in India' initiative, the Government has launched Production Linked Incentives (PLI) Schemes in 14 critical sectors like electronics, pharmaceuticals, white goods, telecom and Networking products, etc., where there is substantial dependency on imports. For development of semiconductors and display manufacturing ecosystem, the Government has approved Semicon India Programme with financial outlay of Rs. 76,000 cr. The Government has also introduced stricter quality standards and measures for quality controls, testing protocols, and mandatory certification to check substandard & poor-quality products in the market and protect consumer's interest. The Government also encourages Indian business establishments to explore alternative suppliers and to diversify their supply chains to reduce dependency on single sources of supply. Also, the Government monitors the surge in imports on a regular basis and takes appropriate action. Further, the Directorate General of Trade Remedies (DGTR) is empowered to recommend trade remedial actions against unfair trade practices. DGTR has initiated 100 trade remedy cases against China from 2021-22 to 2023-24.

The initiatives taken by the Government have led to decline in dependency on imports in several sectors. For example, the import of mobile phones has decreased from Rs48,609 cr in 2014-15 to Rs7,674 cr in 2023-24. On the other hand, the export of mobile phones has increased from Rs. 1,566 cr in 2014-15 to more than Rs.1,28,982cr in 2023-24. In the recent period, the decline in imports has also been observed in sectors like electronics, organic chemicals and fertilizer crude where imports have declined by 45.1%, 31.3% and 42.2%, respectively.

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