

China's contribution to India's trade deficit grows to 37% in FY 2021-22 from 30% in FY 2019-20

The negative economic shock from Covid19 pandemic and ongoing geo-political friction with China raised a lot of concerns regarding India's dependency on China as a source of critical inputs. According to World Bank's WITS database around 54% of India's total import in 2019-20 were categorised as capital goods and intermediate goods which are either consumed as input in production process or are used in production process. Around 49% of these inputs were sourced from China and Honk Kong, China.

Post Pandemic India's import from China

In FY 2021-22 India recorded its highest ever import of USD 612 billion up by 29% from pre pandemic level in FY 2019-20. At the same time India's import from China rose by over 44% from USD 65 billion in FY 2019-20 to USD 94 billion in FY 2021-22. China share in our total import rose from 13% in 2019-20 to over 15% in FY 2021-22. In the last six years starting India's import have grown by around 37% from USD 448 billion in FY 2014-15 whereas India's import from China have grown by more than 56% in the same period valuing at around USD 60 billion in FY 2014-15. China share in India's total import have been hovering between 13- 16%. In this last six years.

Widening Trade Deficit with China

Even though India's export to China have risen over these years but it has been outperformed by the growth of India's import by a margin. In FY 2021-22 India's trade deficit with China stood at around USD 72 billion accounting for over 37% of India's total deficit up by almost 50% from USD 48 billion in FY 2019-20. In the month of April of the current FY, China accounted for over 13% of India's total import at close to USD 8 billion with trade deficit of USD 6 billion representing 31% of our total deficit.

Conclusion

India's dependency on China for its import shouldn't be perceived necessarily as a major concern for India as anyway China is the world largest exporter having a 14% share in global export but it's crucial for India to protect its strategic interests especially considering the current geo-political power play. It's never a good strategy to keep all your eggs in one basket. Recognizing the concerns the government has started with various schemes to promote domestic productions of key intermediate goods under the "Aatmanirbhar Bharat Abhiyan" such as Production Linked Incentives (PLI) whose result would be visible in coming years. For now it's important for India to diversify its critical input import source to protect its domestic production from any supply side shocks and at the same time protect its strategic interest.

Notifications

Ministry of Commerce & Industry

India's merchandise exports rise by 16.8% to USD 37.9 billion in June, 2022, recording the highest ever exports in June 2022.

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Results of Ranking of States' Exercise 2021 on support to Start-up Ecosystems declared

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Make in India yields positive results for the Toy sector

<https://www.pib.gov.in/PressReleasePage.aspx?PRID=1839393>

Ministry of Finance

Exchange rate Notification

<https://www.pib.gov.in/PressReleasePage.aspx?PRID=1839930>

DGFT

Amendment in Export Policy of Wheat Flour.

<https://content.dgft.gov.in/Website/dgftprod/497cdb0c-a8da-425a-b508-fb34aae8dfdd/Notification%2018%20dt%2006-07-22.pdf>

Amendment in registration time period of Steel Import Monitoring System.

<https://content.dgft.gov.in/Website/dgftprod/cd112754-3da8-4385-8fbc-be8e594047a9/Notification%2019%20dt%2007-07-22%20Eng.pdf>

Amendment of import policy conditions for item under Exim code 07019000 of Chapter 07 of ITC (HS), 2022, Schedule –I (Import Policy).

<https://content.dgft.gov.in/Website/dgftprod/eb509177-5c24-4459-b88e-efe010607b66/Notification%2017%20dt%2004-07-22%20Eng.pdf>

RBI

Liberalisation of Forex Flows (Revised)

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=53979