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India–China Bilateral Trade: An Economic Analysis

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Abstract

India and China share one of the largest bilateral trade relationships in the world, but it remains highly imbalanced in nature. In recent years, total trade between the two countries has crossed $125–130 billion annually, making China one of India's largest trading partners. However, India imports far more from China than it exports. Imports from China have risen to over $110 billion, while exports remain around $15–20 billion, resulting in a large trade deficit of nearly $90–100 billion.

This paper examines the trends, composition, and challenges of India–China trade over the last five years in a simple and descriptive manner. It highlights India's growing dependence on Chinese imports, especially in sectors such as electronics, machinery, chemicals, and industrial inputs. These imports support Indian industries but also increase economic dependence. On the other hand, India's exports to China are mainly limited to primary goods such as iron ore, petroleum products, organic chemicals, and cotton, showing low value addition and limited diversification.

The study also identifies major bottlenecks in India's exports to China, including market access barriers, lack of competitiveness, infrastructure problems, and policy-related challenges. It further examines the economic and strategic effects of the trade deficit, such as pressure on domestic industries, employment concerns, and dependence on Chinese supply chains.

Finally, the paper suggests future strategies for India, including strengthening domestic manufacturing, promoting high-value exports, improving infrastructure, and diversifying supply chains. Overall, the study provides a clear understanding of India–China bilateral trade and offers practical suggestions for making this relationship more balanced and sustainable in the future.

Keywords: India, China, Trade, Export, Import.

Introduction

India and China, as two of the largest and fastest-growing economies in the world, have developed strong trade relations over the past two decades. Their bilateral trade has expanded rapidly due to increasing demand, industrial growth, and globalization. Although political tensions and border disputes arise from time to time, economic engagement between the two countries has continued to grow, showing the importance of trade in their relationship."

China has emerged as one of India's largest trading partners, particularly as a major source of imports. India depends heavily on China for products such as electronics, machinery, and industrial inputs, which are essential for its manufacturing sector. However, this relationship is highly imbalanced. India imports significantly more goods from China than it exports, resulting in a large and persistent trade deficit.

This imbalance is mainly due to structural differences between the two economies. China has a strong manufacturing base and exports high-value goods, while India's exports to China are largely limited to raw materials and low value-added products [1]. As a result, the trade gap has widened over time, raising concerns about economic dependency and long-term sustainability.

Table 1: Volume of Total Import and Export of India (in $ US Billion $)

Year	Exports	Imports	Total Trade	Trade Balance
2020–21	291	394	685	-103
2021–22	421	613	1034	-192
2022–23	451	714	1165	-263
2023–24	437	678	1115	-241
2024–25	442	775	1217	-333

Although there was a slight improvement in 2023–24, with imports declining to $678 billion and the deficit reducing to $241 billion, the imbalance remained high. In 2024–25, exports were around $442 billion, but imports rose sharply to $775 billion, resulting in the highest trade deficit of $333 billion. This shows that India's imports are growing faster than exports, creating increasing pressure on trade balance [2].

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Table 2: India–China Trade (Last 5 Years, Approx. in US Billion $)

Year	Exports	Imports	Total Trade	Trade Balance
2020–21	21.19	65.21	86.40	-44.02
2021–22	21.56	94.57	116.13	-73.01
2022–23	15.31	98.51	113.82	-83.20
2023–24	16.66	101.74	118.40	-85.08
2024–25	14.25	113.46	127.71	-99.21

The table presents India's total trade performance from 2020–21 to 2024–25, showing exports, imports, total trade, and trade balance in US billion dollars. It indicates that India's international trade has expanded significantly over the last five years. In 2020–21, exports were valued at $291 billion, while imports stood at $394 billion, resulting in total trade of $685 billion and a trade deficit of $103 billion. In 2021–22, exports increased sharply to $421 billion and imports rose to $613 billion, increasing total trade to $1034 billion. However, the trade deficit also widened to $192 billion. In 2022–23, exports reached $451 billion, while imports further increased to $714 billion, pushing the trade deficit to $263 billion.

The table presents India's total trade performance over the last five years, including exports, imports, total trade, and trade balance. It clearly shows that both exports and imports have increased over time, reflecting economic growth and greater participation in global trade. Exports declined from $ 21.19 billion in 2020–21 to around $14.25 billion in 2024–25, indicating steady contraction. However, imports have grown at a much faster rate, increasing from $65.21billion to $113.46 billion during the same period.

As a result, the trade balance has remained negative throughout all five years, and the deficit has widened significantly from -44.02 billion to -$99.21 billion. This indicates that India is importing much more than it is exporting. The overall trend shows a growing imbalance. The table highlights the need for India to increase exports and control imports to achieve a more balanced trade position [3].

Table 3: Major Export Commodities from India to China: (Last 5 Years, Approx. in US Billion $)

Year	Iron Ore and Ores	Petroleum Products	Organic Chemicals	Cotton and Textile Raw Materials	Marine Products
2020–21	4.8	2.7	2.1	1.8	1.2
2021–22	5.6	3.4	2.5	2.0	1.4
2022–23	4.9	3.1	2.8	1.7	1.5
2023–24	5.2	3.6	3.0	1.9	1.6
2024–25	5.5	3.8	3.2	2.1	1.8

Analysis of Major Export Commodities from India to China

India's export composition to China over the last five years shows that the trade relationship is mainly based on raw materials and semi-processed goods rather than finished manufactured products. Iron ore and ores remain the largest export commodity, increasing from $4.8 billion in 2020–21 to $5.5 billion in 2024–25. This is mainly because China has a very large steel manufacturing industry that requires huge quantities of iron ore for construction, infrastructure, and industrial production. India benefits from rich natural reserves and regular supply capacity.

Petroleum products have also shown steady growth, rising from $2.7 billion to $3.8 billion during the same period. India exports refined petroleum due to its strong refinery sector and competitive prices, while China imports these products to meet industrial fuel and energy requirements. Organic chemicals increased from $2.1 billion to $3.2 billion, supported by India's strong chemical and pharmaceutical industries. These products are widely used in China's pharmaceutical, textile, and manufacturing sectors and represent better value addition than raw ores.

Cotton and textile raw materials remained another important export category, increasing from $1.8 billion to $2.1 billion. China's large textile industry depends on imported raw cotton for garment and fabric production, and India, being a major cotton producer, fulfills part of this demand. Marine products such as fish and shrimp also increased from $1.2 billion to $1.8 billion due to rising food demand and processing industries in China. India's long coastline and fisheries sector support this growth.

Overall, India's exports to China remain concentrated in low value-added goods. This limited diversification is one of the main reasons for the large trade deficit. To improve trade balance, India must focus on increasing exports of high-value products such as electronics, engineering goods, pharmaceuticals, and technology-based manufactured items [4].

Table 4: Major Import Commodities from China to India: (Last 5 Years, Approx. in US Billion $)

Year	Electrical Machinery	Machinery & Boilers	Organic Chemicals	Plastics & Articles	Optical/Medical Instruments
2020–21	22.5	14.8	8.9	2.8	1.9
2021–22	31.2	19.5	12.4	4.1	2.5
2022–23	34.8	21.6	13.1	5.2	2.8
2023–24	38.0	24.3	10.8	5.9	3.0
2024–25	47.6	27.0	11.1	6.3	2.9

Analysis of Major Import Commodities from China to India

India's imports from China are mainly concentrated in industrial and high-value manufactured goods, showing India's strong dependence on Chinese production systems. Electrical machinery remains the largest import category throughout the five-year period, increasing from $22.5 billion in 2020–21 to $47.6 billion in 2024–25. This includes mobile components, semiconductors, telecom equipment, batteries, and electronic appliances. India imports these goods because domestic production is still limited and Chinese products are cheaper and easily available.

Machinery and boilers also show strong growth, rising from $14.8 billion to $27.0 billion. These products are essential for manufacturing industries, power plants, and infrastructure projects. China's large-scale industrial production and competitive pricing make it a major supplier for Indian industries.

Organic chemicals increased from $8.9 billion to $11.1 billion and are widely used in pharmaceuticals, textiles, and industrial manufacturing. India depends on Chinese chemical imports, especially for pharmaceutical raw materials and active ingredients.

Plastics and plastic articles rose steadily from $2.8 billion to $6.3 billion due to growing demand from packaging, automobile, and consumer goods industries. Chinese suppliers offer low-cost bulk production, making imports attractive.

Optical and medical instruments increased from $1.9 billion

to around $2.9 billion. These include medical devices, laboratory instruments, and precision equipment. India imports them because of technological advantages and better manufacturing capacity in China.

Overall, the import structure shows that India depends heavily on China for industrial inputs and high-tech goods. This dependence increases the trade deficit and highlights the need for stronger domestic manufacturing and supply chain diversification [5].

Conclusion and Future Roadmap

India–China bilateral trade has become one of the most important economic relationships in Asia and the world. Over the last five years, total trade between the two countries has grown significantly, crossing more than $130 billion annually. China has remained one of India's largest trading partners, especially as the biggest source of imports. India imports a large quantity of electrical machinery, industrial equipment, chemicals, plastics, and medical instruments from China, while its exports to China are mainly limited to iron ore, petroleum products, organic chemicals, cotton, and marine products [6].

This trade pattern clearly shows a major imbalance. India imports high-value manufactured goods and exports mostly raw materials and semi-processed goods. As a result, the trade deficit has remained very high, reaching around $90–100 billion in recent years [5]. This affects India's balance of payments and increases dependence on Chinese supply chains in critical sectors such as electronics, pharmaceuticals, and industrial production [7].

The future roadmap for India should focus on reducing this structural imbalance rather than simply reducing trade volume. The first priority should be strengthening domestic manufacturing through initiatives like "Make in India" and the Production Linked Incentive (PLI) Scheme. Increasing domestic production of electronics, semiconductors, solar equipment, and machinery can reduce import dependence [8].

India must also improve the quality and value of its exports. Instead of relying mainly on raw materials, the country should promote high-value exports such as pharmaceuticals, engineering goods, electronics, and processed food. Better infrastructure, efficient ports, and strong logistics systems will help Indian exporters compete internationally [9].

India should also diversify both its export markets and import sources. Overdependence on a single country creates economic and strategic risks. Expanding trade relations with Southeast Asia, Europe, Africa, and the Middle East can reduce such vulnerability. Stronger trade diplomacy and better market access in China for Indian goods are equally important [10].

In conclusion, India should aim for balanced and strategic trade rather than dependence. A stronger manufacturing base, diversified exports, and better policy coordination can make India–China trade more sustainable and beneficial for long-term economic growth.

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