

# India's Trade with USA and China – A Subjective Analysis

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**Abstract:** The United States of America (USA) and China are highly advanced and rich nations full of resources and trade potential and also ranked first two highest nations in terms of Gross Domestic Product (GDP). Despite political and diplomatic adversities, India has had a healthy trade relationship with both nations. While India is highly dependent on China for raw materials and product ingredients for its own Industries, China depends on Indian engineering goods and agriculture products. Similarly, India depends upon the USA for its highly advanced electrical and communication items; the USA needs Indian engineering goods, medicine and chemical goods. In this paper, I have tried to analyze India’s trade with these two countries since 2017 and their respective position with India in terms of mutual trade.

**Keywords:** International trade, USA, China, India, Harmonized System Codes.

## 1. Introduction

It has been quite some time that we have come across in the news that India’s biggest trade partner is USA leaving behind China (21 June 2022, The Economic Times). According to the data from ITC Trade Map data, India’s exports of goods to China in 2021 have increased to 34.5 percent from US\$ 17.1 billion in 2019 to US\$ 23.03 billion in 2021. Imports during the same period increased to 27.9 percent from 68.4 billion to US\$ 87.5 billion. Here there was a trade deficit as imports were more than exports. India’s exports to USA in 2021 increased to 31.9 percent from US\$ 54.2 billion in 2019 to 71.5 billion in 2021 and imports of India from USA, India’s exports increased to 18.3 percent to US\$ 41.3 billion in 2021 from 34.9 billion in 2019 showing a trade surplus.

## 2. Top Trading Partners of India in 2021 and 2022

India’s top trading partners in the financial year 2020-21 were China, USA, UAE, Saudi Arabia and Switzerland and in financial year 2021-2022 were USA, China, UAE, Saudi Arabia and Iraq. USA has occupied the first position as trading partner of India in 2022 whereas China was on the top as a trading partner in the year 2021 as per the World Integrated Trade Solutions (WITS) World Bank Data.

Figure 1 shows India’s Top trading partners in the financial year 2020 -2021 which is expressed in US\$ Millions. The X-axis shows the year and the Y-axis exhibits export, import and

total trade between the five top trading partners of India in that year.

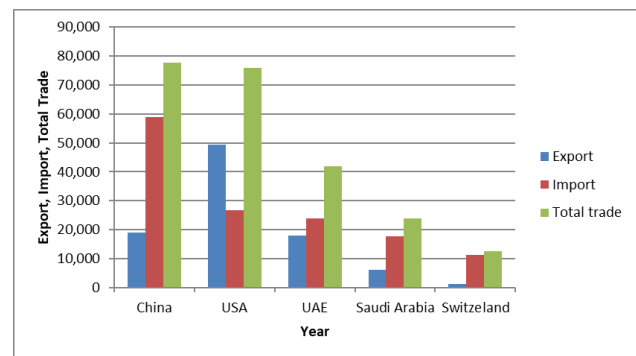


Fig. 1. India’s principal trading partners FY 2020-21 (US\$ Million)  
Source: IMF Data

Figure 1 reveals that India’s top trading partners in 2020-21 were China, USA, UAE, Saudi Arabia and Switzerland. From the figure it can be inferred that though China was the top trading partner but since imports were more than exports, there was trade deficit and trade with USA had a trade surplus with exports more than imports. All the other trade partners also had a trade deficit and it was only USA that had a trade surplus.

Figure 2 reveals India’s top trading partners in the financial year 2021 -2022 expressed in US\$ millions. The X-axis shows the year and the Y-axis exhibits export, import and total trade between the five top trading partners of India in that year.

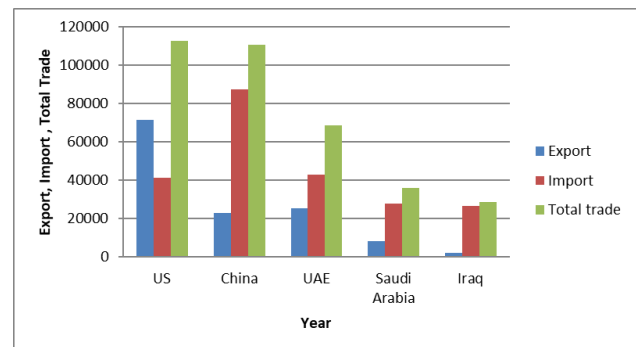


Fig. 2. India’s principal trading partners FY 2021-22 (US\$ Millions)  
Source: IMF Data

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It can be seen from figure 2 that USA is the top trading partner with China occupying the second position. During the year 2021-22, USA became the top trading partner of India with China relegated to number 2nd position. Although overall trade with these two nations grew by almost 50 percent, India's imports from China showed a rising trend. Hence there was again a trade deficit with imports surging more than exports. However, USA maintained its trade surplus.

**3. Bilateral Trade - India with USA and China (2017-2021)**

India's bilateral trade with China have been shown in figure from 2017 to 2021. This includes exports, imports and total trade. It can be seen that exports are more than imports for the entire period from 2017 to 2021. It was US\$ 46028.324 million in 2017 and was US\$ 71510.497 in 2021. Import figures in 2017 were US\$24070.494 millions and in 2021 it increased to US\$ 41386.816 million.

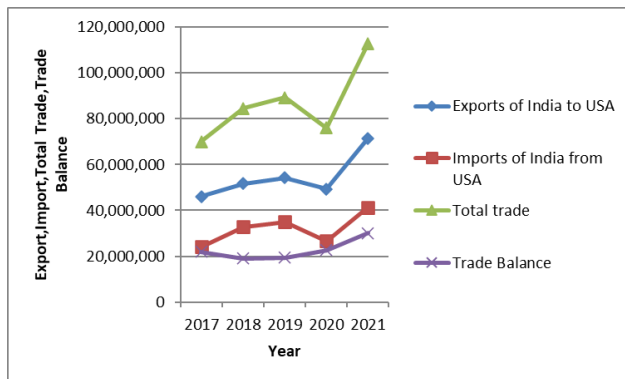


Fig. 3. Bilateral Trade India and USA 2017-2021(US\$ Billions)  
Source: ITC Trade Map Data

Total trade during the period 2017 was US\$ 70099 million and in 2021 it went up to US\$ 112897 million, almost an increase of 61% in a five-year period. Also, India's trade with

USA during the period 2017-21 resulted in positive trade balance.

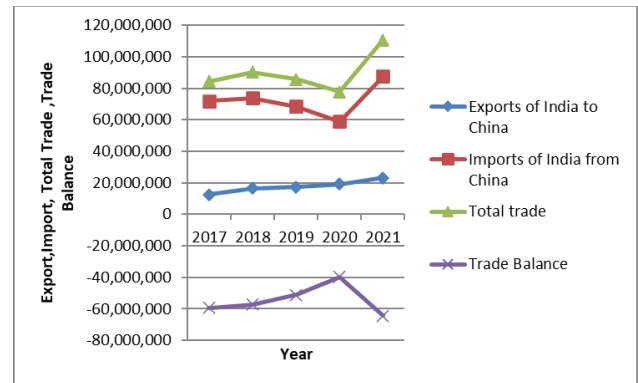


Fig. 4. Bilateral Trade India and China 2017-2021((US\$ Billions)  
Source: ITC Trade Map Data

Figure 4 exhibits, bilateral trade between India and China as recorded during the years 2017 to 2021. It can be inferred from the graphical representation that import figures were more than export figures during the period 2017 to 2021. India's exports to China in the year 2017 were US\$12500.767 millions and import was US\$71890.425 millions. Similarly, in 2021 these figures were US\$ 23036.597 million for exports and US\$87535.136 million for imports. Thus total imports from 2017 to 2021 were US\$ 360472.196 million and exports were US\$88327.906 million. For the entire period, it can be seen that there has been a trade deficit with imports more than exports.

This indicates Indian dependence on Chinese products for its own industrial production as well as domestic demand. The figures also revealed that due to higher imports from China during 2017-2021, India's trade with China resulted in negative trade balance during the period.

Table 1

Trade of India's top-5 products with China – 2017 to 2021 taking 2017 as the base year

Top- 5 exports of India to China		Top- 5 imports of India from China	
'26	Ores, slag and ash	'85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television
'29	Organic chemicals	'84	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof
'27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; minerals	'29	Organic chemicals
'52	Cotton	'39	Plastics and articles thereof
'72	Iron and steel	'31	Fertilisers

Source: ITC Trade Map Data

Table 2

India's trade of top-5 products with USA – 2017 to 2021 taking 2017 as the base year

Top -5 Exports of India to USA		Top- 5 Imports of India from USA	
'71	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad ...	'27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral ...
'30	Pharmaceutical products	'71	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad ...
'84	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	'84	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof
'27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral ...	'29	Organic chemicals
'63	Other made-up textile articles; sets; worn clothing and worn textile articles; rags	'85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television ...

Source: ITC Trademap Data

#### 4. India's Trade of Top-5 Products with China and USA from 2017 to 2021

The products taken for exports and imports have been India's five principal commodities for export and import with China and USA have been taken with base year 2017. India's top -5 export products at HS -2 product code to China from 2017 to 2021 can be seen in table 1. Top five imports of India from China are exhibited on the right side of the table 1.

The term "HS code" refers to the globally recognised Harmonized System Code, which is used to categorise traded commodities. It is also known by other names, such as Harmonised System of Nomenclature (HSN) code, HTS code, NCM code, and custom tariff codes. The HS code for India has 97 chapters which are divided into 21 parts. The *Chapters* are defined by the first two digits, the *Heading* by the second, the *Subheading* by the third, and the *Tariff Item Code* by the final two. The HS code was implemented on January 1st, 1988. The World Customs Organizations develops and maintains it. Additionally, it is your legal obligation to appropriately identify the product's HS code whether you are an importer or exporter. Mis-classification can cause issues and confusion.

Top-5 exports to USA from India can be seen on the left side of the table and imports from USA can be seen on the right side of table 2.

#### 5. Observations and Analysis

India and USA's trade in products showed a jump of 45 percent from 2020. India's export to USA in 2021 was 18.11 percent of world exports and that of imports was 7.26 percent. There was a slump in trade due to pandemic and economic restrictions in 2020 which was roughly US\$ 75.9 billion from US\$ 89.2 billion in 2019. As for China, India's percentage share of exports to China in 2021 was 5.83 and that of India's imports from China was 15.34. As per (10 February 2022, The Hindustan Times), the increase in trade was also a result of India's concerted efforts to strengthen ties with a variety of American economic stakeholders. The Ministerial meeting of the India-US Trade Policy Forum in November has given the bilateral trade relationship a further boost in the right direction. During the meeting, the ministers (the Indian minister of commerce and the US trade representative) decided to focus more on trade-related issues and to address open problems. The addition of more goods and services and the diligent efforts of all parties involved will result in strong business cooperation between two nations that will expand. As per Economic Times June 20,2022, India is heavily dependent on China for the import of manufactured products as the Chinese products are of

good quality and less priced as such are unmatched by any other countries. China had never been India's top trading partner. China's exports to India are primarily manufactured goods, providing the perception that Chinese goods are taking over the Indian market while the majority of US exports to India are energy and agricultural items. Trade of India with China has always shown trade deficit and those with USA has been towards trade surplus, hence India has always been looking at USA for their export market. There is a variance in the volume of trade since China's statistical data reported are different from those of India.

#### 6. Conclusion and Future Ahead

USA and China both are economically rich and technologically highly advanced nations of the world. They are also the top two trading partners of India with trade exceeding US\$ 100 billion with each of them. India is also a fast-emerging economy ranking 5th in the world and with present rate of growth, may overtake Japan and Germany to occupy 3rd position in a decade or so. In this context, its global trade especially with its partner countries will play a significant role. USA is the largest trading partner at present and is likely to remain so in future also. As India's exports to USA are showing a rising trend as compared to imports resulting and as such there is a positive balance of trade. It will be in the interest of India to promote its trading activities in this direction. Indian dependence on China particularly on communication instrument and computer hardware will continue to rise till such time India starts making its own chips. Here the endeavour should be to focus on reduction of Chinese imports and boost exports especially on manufacturing items to achieve some positive balance of trade. It is expected that in future India's trade with USA will continue to grow whereas with Indian campaign of 'Make in India', India's dependence on Chinese imports will reduce gradually.

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