

**GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA**

UNSTARRED QUESTION NO:1369
ANSWERED ON:18.07.2014
TRADE DEFICIT BETWEEN INDIA CHINA
Rathwa Shri Ramsinh Patalyabhai

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

- (a) whether external trade deficit between India and China is in favour of China;
- (b) if so, the reaction of the Government thereto;
- (c) the difference in value of import and export between India and China during 2013-14;
- (d) whether this difference is likely to come down during 2014-15; and
- (e) if so, the details thereof along with the steps taken by the Government in this regard?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY (INDEPENDENT CHARGE) (SMT. NIRMALA SITHARAMAN)

(a) : Yes, Madam, the external trade deficit between India and China is in favour of China.

(b): The major factors leading to such trade deficit can be found in China's Manufacturing sector which is relatively stronger than that of India. Chinese export to India relies strongly on manufactured items which cater to the demand of fast expanding sectors like telecom and power in India along with other low priced products. Subsidies provided by Chinese Government to their manufacturing sectors contribute towards the low input costs of Chinese manufactured products. India's exports to China are comprised of mainly raw materials and low value added intermediate products. The limited market access afforded to Indian products in China is also a contributing factor to the growing trade deficit. Indian IT services exports also face barriers in China and are therefore unable to compensate for the deficit on account of our merchandise trade with China.

(c): India's bilateral trade with China, during 2013-14, was comprised of imports from China of US\$ 51.05 billion and exports from India of US\$ 14.83 billion, resulting in a trade balance of US\$ 36.22 billion in favour of China.

(d) : India's trade deficit with China is expected to reduce during 2014-15 to some extent due to steps being taken to restrict the same.

(e): With a view to reducing trade deficit with China, efforts are being made to diversify the export basket with emphasis on manufactured goods. The Government is also pursuing issues of market access for products with strong export potential, to tackle non-tariff barriers in the Chinese market at different fora, including at the level of Ministerial meeting of the India-China Joint Group on Economic Relations, Trade Science and Technology (JEG). In 2013, three MoUs were signed on products such as bovine meat, fishery products, pharma and an agreement was signed on feed and feed ingredients. Indian exporters are encouraged to participate in major trade fairs in China to show-case Indian products in the Chinese market and increase engagement with Chinese importers. Business to Business relations are encouraged through schemes such as Market Access Initiative (MAI)/Market Development Assistance (MDA).

The adverse trade balance is being addressed through augmentation of exports from India to China as well as by encouraging China's investing towards building manufacturing capacities in India, through investment in India's industrial parks, NIMZs, SEZs etc. During the recent visit to China in June, 2014, an MoU on cooperation in Industrial parks has been signed between the two countries which is aimed at attracting Chinese investments in India and provides an enabling framework for Chinese companies to invest in industrial parks and zones. These measures are expected to boost exports and reduce trade deficit to some extent.