**India relies on China for most electronic and electrical goods**

In FY24, China once again became India’s top trading partner. This is the sixth time in the last 10 years that China has beaten the U.S. to emerge as India’s top partner. A country is designated as a top trading partner if the total value of India’s exports to it and imports from it exceeds that of any other country.

Notably, China’s status as India’s top trading partner is primarily due to the exceptionally high volume of imports from China, which overshadows the relatively low volume of exports to China by India. That is why India’s trade deficit with China has been widening the fastest, in absolute terms, compared with other partners. India’s trade relationship with the U.S. is the opposite, with India exporting more to the U.S. than what it imports. In fact, the gap between imports and exports, or the trade balance (trade surplus in this case), has been widening in recent years.

Chart 1 shows India’s export and import in $ billion with the U.S. and China. While imports from China have surged, exports to China have remained stagnant. On the other hand, exports to the U.S. as well as imports from the U.S. have increased, though the degree of increase in exports was greater than that of the imports.

Chart 2 shows the trade deficit/surplus of important partners of India since FY15. Among India’s partners, China and the U.S. occupy the two extreme ends. With the U.S., India has a trade surplus of $36.7 billion, while with China, India has a trade deficit of $85.1 billion in FY24. Both these figures are the highest ever trade surplus and trade deficit recorded with the respective countries.

With most major trade partners, India has a trade deficit. Interestingly, the trade deficit with Russia has skyrocketed in recent years, from just $6.6 billion in FY22 to $57.2 in FY24. A majority of this is due to the import of oil at a discounted price from Russia, after the West imposed sanctions on the country. Russia is currently the chief oil source for India.

India’s trade surplus with the Netherlands has increased; this is also connected to the sanctions on Russia. About 40-45% of the crude oil sourced from Russia is converted to petrol, diesel, and other products by Indian refineries and sold to the Netherlands. The European country is sourcing petroleum products from India and not directly from Russia due to the sanctions. It then redistributes these products among its neighbours.

A majority of the items that India imports from China can be classified as electronics and electrical items. In the FY15 to FY24 period, India imported $75 billion worth of mobiles/telephones, the biggest component in the import basket. This was followed by automatic data processing units ($37 billion), semiconductor devices and diodes ($28 billion), and electronic integrated circuits ($27 billion). Chart 3 shows the tree map of India’s top 20 imports from China in the FY15 to FY24 period. Thirteen of these 20 items were electronic or electrical items.

Not only is India buying electrical and electronic items from China in bulk, but also, China is the major source for most of these items, with very few alternatives. India sourced 54% of its mobiles/telephones from China in the FY15 to FY24 period. It also sourced close to 56% of automatic data processing units, about 70% of semiconductor devices and diodes, and 32% of electronic integrated circuits and micro assemblies from China in this period. Chart 4 shows item-wise imports from China in $ billion and India’s dependency on China for that product in percentage share.