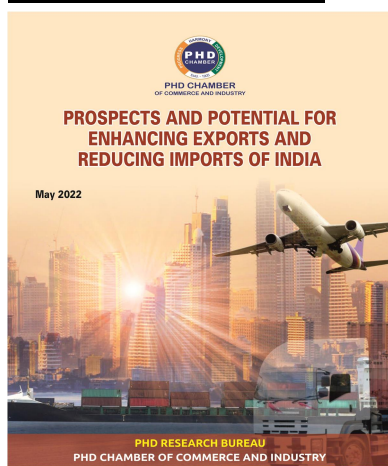


Prospects and Potential for Enhancing Exports and Reducing Imports of India

(A report on enhancing exports and reducing imports of India by PHD Chamber)

PHD Research Bureau has conducted a study to see the opportunities and potential for India with the largest exporting and importing partners i.e. USA and China. The study has identified the major products where India can decipher its dependence on China and enhance exports with the USA.

Snapshot of the Report:



United States and China have consistently been important trading partners of India in the past several years, but the pandemic has significantly influenced trade activities. At this outset, a study of India's largest export partner (i.e. USA) and Import partner (i.e. China) is conducted to evaluate the trade composition and direction to forecast India's new trade prospects and potential. In order to enhance its trade balance, India must ensure that not only exports to existing partners but also explores new markets with substantial potential.

The volume of total merchandise trade between India and USA has significantly increased from around USD 62 billion in FY2014 to around USD 87 billion in FY2021. Despite increasingly cold relations between India and China, bilateral trade between the two countries continues to rise. The bilateral trade between India and China has grown four-fold in the past decade. But the trade was tilted more in favour of China. India and China's total merchandise trade figures witnessed a tremendous jump from USD 66 billion in FY 2014 to around USD 85 billion in FY 2021.

The main findings of the report are:

- China surpassed the USA to become the world's largest exporting nation, and India became the 18th largest exporting nation in 2021.

- As far as imports are concerned, India ranked 10th in total imports of the world, and China remains the second-largest importer in the world behind the USA in 2021.
- Major changes in the ranking of products exported by India was noticed in pharmaceutical products and iron and steel, where rankings of pharmaceutical products improved from 6th position in 2019 to 3rd position in 2020 and again deteriorated to 8th in 2021 whereas, iron and steel improved its ranking from 8th in 2019 to 4th rank in 2021.
- In terms of bilateral trade, India has a tariff advantage with the USA as it provides a lower tariff in 85 products (HS 2 digits) as compared to China. Furthermore, the USA is offering lower tariffs in 71 products compared to the rest of the world.
- India's entry is highly restricted in the Chinese market as compared to the USA. China provides a lower tariff in 63 products (HS 2 digits) to India compared to what it is offering to the USA. However, there are only 13 products in which India being offered lower tariffs rates compared to the world.

The study provides suggestions and recommendations to increase exports with China and USA, such as:

- In recent years, imports from China have changed from low-value, low-cost products like toys and crackers to high-value items like electronics. Unfair competition from imports from China had a severe impact on the growth prospects of domestic manufacturers, especially small businesses.
- The Indian economy has significant scope for import substitution in the sectors including chemicals, automotive components, bicycle parts, agro-based items, handicrafts, drug formulations, cosmetics, consumer electronics, and leather-based goods.
- India should concentrate on mass production of commodities in which it has a comparative advantage over the United States and China and consequently the United States and China would import most of those commodities from India rather than other countries.
- The economic impact resulting from an FTA needs to be evaluated regarding trade creation and trade diversion aspects and gains from access to partners' markets.
- There are approximately 36 sub-sectors that can reduce India's reliance on Chinese imports. These sectors together account for around USD35 billion in India's imports.

- Since, the domestic market has production capabilities, these sectors can readily minimize their reliance on China in a phased manner without any substantial extra investments.
- Import substitution and export promotion strategy for 36 sub sectors would have a positive cascading effect on the economy and equivalent amounts would translate the benefits through forward and backward linkages.

[Click here to get the soft copy of the report.](#)

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Warm Regards,

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