

US at the Top, China Close Behind

Posted at: 17/04/2025

US at the Top, China Close Behind: India's Trade Dynamics FY 2024-25

Context : India's foreign trade in the financial year **2024-25** highlighted two key patterns — a deepening trade relationship with the **United States** and a **persistent trade imbalance** with **China**. These trends reflect both **opportunities** for **growth and structural challenges** in India's external sector.

Overall Trade Snapshot — FY 2024-25

- India's goods exports remained almost flat at **\$437.42 billion** (compared to \$437.07 billion in FY24).
- Imports rose by **7%**, reaching a record **\$915.19 billion**.
- The overall trade deficit stood at **\$94.26 billion**, underlining the gap between imports and exports in the merchandise sector.
- Services exports grew by **12.45%**, reaching **\$383.51 billion**.
- Services imports stood at **\$195.95 billion**, ensuring India maintained a healthy surplus in this segment.

Sector-Wise Export Performance

- Coffee exports recorded **40% growth**, reaching a record **\$1.8 billion**, driven by global shortages and price spikes.
- Electronic goods exports surged **32% to \$38 billion**, supported by expanding **iPhone manufacturing in India**.
- Exports of drugs & pharmaceuticals, fruits & vegetables, and cereal preparations saw moderate growth between **5% and 10%**.
- Sectors such as gems & jewellery, handicrafts, and chemicals registered a decline of **2-10%**.
- Engineering goods exports grew **6.74%** on an annual basis, though there was a **4% decline in March**.

Challenges for Indian Exports

- Imposition of tariffs by the US on iron & steel and auto components is expected to reduce India's engineering exports by **\$4-5 billion annually**.
- Rising competition from Chinese exporters in global markets such as **Latin America, Africa, and the Middle East** could erode the global market share of Indian products.

India-US Trade: A Strengthening Economic Partnership

- In **2024-25**, the United States remained India's largest trading partner for the fourth consecutive year.
- Bilateral trade reached **\$131.84 billion**.
- India's exports to the US rose by **11.6%**, standing at **\$86.51 billion (up from \$77.52 billion in FY24)**.

- Imports from the US increased by **7.44%**, totaling **\$45.33 billion (up from \$42.2 billion)**.
- As a result, India's trade surplus with the US widened to **\$41.18 billion (from \$35.32 billion in the previous year)**.

Major Indian Exports to the US (FY 2024-25)

- Drug formulations & biologicals - **\$8.1 billion**
- Telecom instruments - **\$6.5 billion**
- Precious & semi-precious stones - **\$5.3 billion**
- Petroleum products - **\$4.1 billion**
- Gold & precious metal jewellery - **\$3.2 billion**
- Readymade garments (mainly cotton) - **\$2.8 billion**
- Iron & steel products - **\$2.7 billion**

Major US Exports to India (FY 2024-25)

- Crude oil - **\$4.5 billion**
- Petroleum products - **\$3.6 billion**
- Coal & coke - **\$3.4 billion**
- Cut & polished diamonds - **\$2.6 billion**
- Electric machinery - **\$1.4 billion**
- Aircraft, spacecraft & parts - **\$1.3 billion**
- Gold - **\$1.3 billion**

Future Outlook: Expanding India-US Trade

- **India** and the **US** are engaged in negotiations for a **trade agreement**.
- The shared objective is to increase bilateral trade to **\$500 billion by 2030**, from the current level of **\$191 billion**.

India-China Trade: Persistent Deficit Challenge

- China remained **India's second-largest trading partner in 2024-25**, with total trade rising to **\$127.7 billion (up from \$118.4 billion in FY24)**.
- India's exports to China fell by **14.5%**, declining to **\$14.25 billion**.
- Imports from China increased by **11.52%**, reaching **\$113.45 billion**.
- This resulted in the trade deficit with China widening by **17% to \$99.2 billion (from \$85.07 billion the previous year)**.

Historical Trade Patterns

- **China** was **India's largest trading partner from 2013-14 to 2017-18 and again in 2020-21**.
- Since **2021-22**, the **United States** has held the **top position**.
- Before **China**, the **United Arab Emirates (UAE)** was **India's primary trading partner**.

Analysis: Structural Dependence and Competitiveness Issues

- Experts highlight that the growing trade deficit with China is more than a numerical imbalance — it reflects India's structural dependence on Chinese imports.
- Despite a weaker rupee, India's exports to China have fallen below FY14 levels, indicating deep-rooted competitiveness concerns in manufacturing and supply chains.

Conclusion

India's trade profile is evolving, marked by a strong strategic shift towards deepening engagement with the **United States** and **persistent economic reliance on Chinese imports**.

While the US offers a route for export growth and surplus generation, the China equation continues to highlight the need for structural reforms in domestic production, value chain integration, and global competitiveness.

India's trade policies, global alliances, and tariff strategies will play a crucial role in addressing these asymmetries as the country seeks to enhance its economic resilience and geopolitical influence.



AKKA IAS ACADEMY
www.akkaias.com