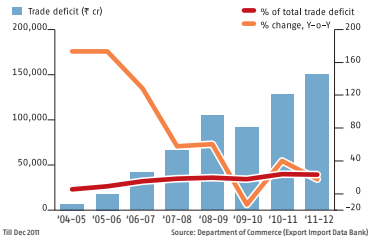


INDIA AND CHINA have agreed to set up a joint working group to look into trade-related matters, following a high-level meeting on economic relations recently. India is particularly concerned about both the lopsided nature and the composition of its trade with China. As Table 1 shows, India's trade deficit with China has grown steadily, though the growth rate of the trade deficit has come down of late. It is, however, a steadily increasing component of India's total trade

1: THE IMBALANCE IN INDIA-CHINA TRADE

India's trade deficit with China

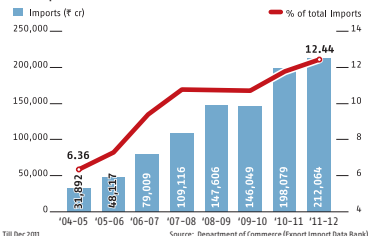


Till Dec 2011

Source: Department of Commerce (Export Import Data Bank)

2: IMPORTS FROM CHINA BALLOON...

India's imports from China

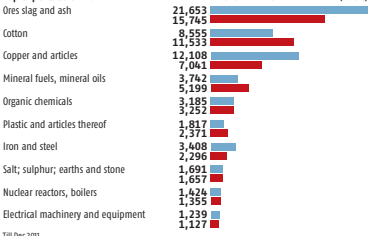


Till Dec 2011

Source: Department of Commerce (Export Import Data Bank)

5: ...WHILE IT EXPORTS PRIMARY GOODS

Top exports to China



Till Dec 2011

STATSGURU is a weekly feature. Every Monday, Business Standard will guide you through the numbers you need to know to make sense of the headlines

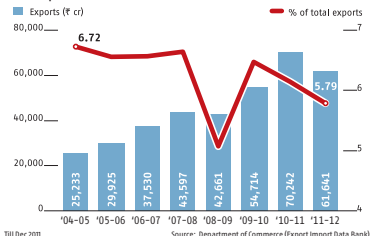
deficit. Indeed, as Table 2 shows, India's imports from China are now well above 12 per cent of India's total imports, nearly doubling their proportion over the past eight years. In value terms, they have increased nearly seven times. India's exports to China, on the other hand, have actually decreased in terms of China's total import basket, as Table 3 lays out. In value terms, too, they have not increased comparably.

This is not particularly surprising when they are decomposed. As Table 4 shows, India is importing mainly machinery of one sort or another, products from China's powerful manufacturing sector. India's exports to China, on the other hand – outlined in Table 5 –



3: ...WHILE INDIA'S EXPORTS TO CHINA STAGNATE

India's exports to China

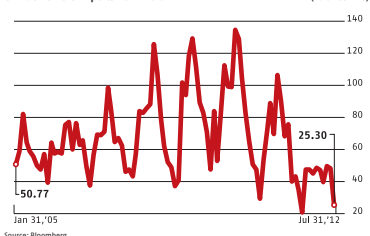


Till Dec 2011

Source: Department of Commerce (Export Import Data Bank)

6: SLOWDOWN HITS IRON ORE TRADE

China's iron ore imports from India

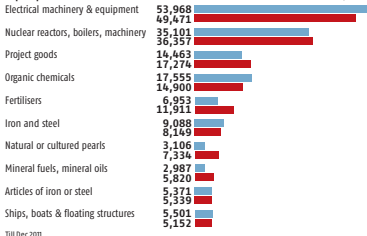


Source: Bloomberg

focus especially on primary goods. Cotton, copper and related articles, and ores, particularly iron ore, are the main components of India's exports. The slowdown of China's manufacturing has hit primary-goods exports, especially iron ore; as Table 6 shows, the increasing trend seems to have reversed in recent years. India will want to ensure that the trade basket changes composition. China raised the issue recently of higher import duties on power equipment. But China's manufacturing output has actually become less competitive, thanks to the change in the rupee-yuan exchange rate shown in Table 7. The rupee is much cheaper in terms of China's currency than it was a few years ago.

4: INDIA IMPORTS MACHINERY...

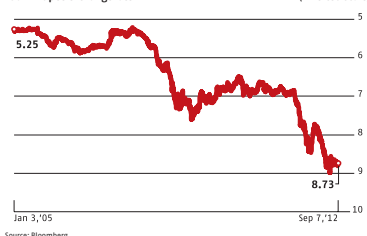
Top imports from China



Till Dec 2011

7: INDIA'S CURRENCY COMPETITIVENESS

Yuan – rupee exchange rate



Source: Bloomberg