

Centre seeks value-added exports to China

SUBHAYAN CHAKRABORTY

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The government would like exports to China, marked by shipments of raw materials such as cotton, iron ore or copper, to shift towards value-added products.

The commerce ministry points to a need to do more on sectors such as hardware, electronics, pharmaceuticals, textiles and automobile components in this regard. India's trade deficit with China was as much as \$61 billion (₹4.1 lakh crore) in 2015-16. However, with its burgeoning middle class and rising labour prices, China is expected to relinquish its dominance over the labour-intensive and low-end manufacturing space in the near future.

"We are looking to harness our strengths in labour-intensive sectors, where India enjoys significant advantage over other developing nations," said a commerce ministry official.

Currently, the top five export categories to China are all input products. These are used by China to manufacture costlier goods, which it ships abroad, including back to India. In 2015-16, our highest earner from China was cotton, with \$1.7 billion worth of exports, followed by copper (\$1.1 billion) and organic chemicals (\$844.9 million). These, along with other raw materials

like iron ore, were a little more than 70 per cent of India's exports to China, says Ajay Sahai, director-general, Federation of Indian Export Organisations.

On the other hand, India imports products much higher up the value chain from China. Electrical machinery tops the list from there at \$19.75 billion, followed by



TRADE WITH CHINA (2015-16)

Total exports \$9.01 billion

Top 5 exports to China	Figures in \$ billion
Cotton	1.68
Copper	1.14
Organic chemicals	0.84
Mineral fuels	0.64
Salt, sulphur, earth & stone	0.54

Total imports \$61.7 billion

Top 5 imports from China	Figures in \$ billion
Electrical machinery	19.75
Organic chemicals	6.6
Fertilisers	3.26
Iron & steel	2.35
Plastic & plastic articles	1.69

Source: Commerce ministry

organic chemicals at \$6.1 billion and fertiliser at \$3.3 billion.

"However, the trend is slowly changing. While cotton is increasingly being imported from China and manufactured yarn exported back, the reverse was true five-six years back," said Sahai.

Greater trade in the areas of hardware, electronics and renewable energy has the potential to greatly expand, says Sachin Chaturvedi, director-general of trade policy at RIS, a think tank.

It would also insulate exports from being at the mercy of the high volatility in global commodity markets. Such as last year, when copper and iron shipments to China fell, owing to historically low demand and a glut in supply.

China has also hinted at willingness to welcome newer products as part of both governments' efforts to change the situation. In India to showcase the Canton International Trade Fair — largest in the world — to Indian exporters, Xu Bing, vice-president of the China Foreign Trade Centre invited Indian manufacturers to seize the growing domestic market in that country. However, apart from economic compulsions, diplomatic ones are also a major reason behind the Chinese

warming up to Indian goods in sectors they have dominated for decades, say trade experts. Also, inherent problems in manufacturing could trip the plan. Such as the slow pace in bolstering of active pharma ingredient manufacture, issues in mobilising of innovation, problems with the manufacturing base and hindrances in doing business with China.