



# Delhi Policy Group

Advancing India's Rise as a Leading Power



## ECONOMIC SECURITY AND RESILIENCE REVIEW

MAY 2024

*Author*

V.S. Seshadri



Volume II, Issue 5



Delhi Policy Group

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### ABOUT US

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*The views expressed in this publication are those of the author and should not be attributed to the Delhi Policy Group as an Institution.*

### Cover Images:

*European Commission President Von der Leyen at the trilateral meeting with French President Macron and President of the People's Republic of China Xi Jinping in Pairs on May 6, 2024. (Source: [European Commission/Official X Account](#))*

*Chinese President Xi Jinping held talks with Hungarian Prime Minister Viktor Orban in Budapest, Hungary, May 9. (Source: [Chinese Embassy in Switzerland/Official X Account](#))*

*Japan's Prime Minister Kishida with with YOON Suk Yeol, President of the Republic of Korea, and Li Qiang, Premier of the People's Republic of China at the Ninth Japan-China-ROK Trilateral Summit in Seoul, South Korea on May 27, 2024. (Source: [Prime Minister's Office of Japan/Official Website](#))*

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## Contents

Introduction .....	1
President Xi Jinping's visit to Europe .....	2
Ninth Trilateral Summit of China, Japan and the Republic of Korea .....	3
China launches Anti-Dumping probe against POM imports .....	5
China introduces export controls on aviation products and bans economic activities with three US companies .....	5
President Biden announces more Section 301 tariffs on Chinese products .....	6
US Treasury Secretary calls for closer coordination between EU and US in tackling overcapacity and related issues .....	7
USTR Op-ed in the Financial Times on trade and social contract .....	7
US revokes licenses of certain chips exports to Huawei .....	8
G-7 Finance Ministers meeting addresses economic security and resilience issues .....	8
EU launches Anti-Dumping investigations on a range of products from China .....	8
Capgemini Survey .....	9
Nomura report .....	9
India's contribution to US healthcare system - IQVIA report .....	10
Indian Pharmaceutical Alliance calls for an India-US Affordable Medicine Partnership .....	10
India's trade figures for 2023-24 released .....	11

# Economic Security and Resilience Review

by

V. S. Seshadri

## Introduction

This month's ESRR begins with a focus on China. We examine the outcomes of President Xi Jinping's week long visit to Europe - France, Serbia and Hungary - from May 5-11, 2024, and his attempts to push further China's economic and trade interests even as China is facing a hardening de-risking policy in Europe. Similarly, we look at the results of the ninth trilateral summit between China, Japan and the Republic of Korea that was held in Seoul on May 27, 2024 which saw Chinese Premier Li Qiang seeking to persuade his Japanese and South Korean counterparts against any move by their countries towards protectionism and decoupling. Meanwhile, China also announced certain restrictive measures and export controls, apart from launching anti-dumping investigations against imports of certain thermoplastics from the EU, US and Taiwan.

The month also saw President Biden ordering a raft of higher tariffs on several Chinese products, including steel and aluminium, green technology items and semiconductors, following a review by the office of the USTR under the country's Section 301 provisions. Noteworthy also was US Treasury Secretary Yellen's call at a speech in Frankfurt for the US and Europe to closely coordinate in tackling China's "overcapacity" and related issues. An opinion piece by the USTR Katherine Tai in the 'Financial Times' newspaper argued for ensuring that economic policy, trade in particular, benefitted working people.

This issue also covers the G-7 Finance Ministers meeting held in Italy, which addressed economic security and resilience issues. It further looks at several anti-dumping proceedings launched by the EU against imports from China, including of tin steel plate and seamless tubes and pipes.

Two recent reports, one by Nomura, a financial services major, and another by Capgemini Research Institute, the technology management firm Capgemini's think tank arm, project substantial gains for India in the coming years in investment and exports as a result of derisking moves and China plus strategies being taken up by western companies. Their projections are briefly outlined in this issue.

We also flag another report by the US based IQVIA Institute that has brought out the significant contributions made by Indian pharma companies towards making affordable medicine available in the United States. The report's release has also been followed up by a call from the Indian Pharmaceutical Alliance for the launch of a India-US Affordable Medicine Partnership, with a view to ushering in greater resilience and security of supply chains in this key sector.

Finally, this issue of ESRR highlights certain key trends as seen from India's trade figures for 2023-24 which were released this month.

## President Xi Jinping's visit to Europe

President Xi Jinping undertook a visit to France, Serbia and Hungary from May 5-11, 2024. A key objective of this visit, the first by Xi in five years, appeared to be to push forward China's ties with those European nations which have shown an inclination towards independent and strategic autonomy approaches. Amidst calls for derisking and the rise in anti-subsidy and other investigations by the EU on imports from China, including of electric vehicles, it made sense to try and see if avenues could still be found to push further China's economic and trade interests.

Xi does not, however, appear to have succeeded during the French leg of the visit. Both President Emmanuel Macron and EU Commission President Von der Layen, who also joined part of the discussions in Paris, reportedly pressed the Chinese leader to address the trade imbalances with the EU and the issue of overcapacity. Von der Layen noted<sup>1</sup> that while the trade between China and Europe was around Euro 2.3 bn per day, the relationship remained challenged through state induced overcapacity, unequal market access and overdependencies. She particularly emphasised the need for greater access for EU products in the Chinese market, and to address the excess capacities in electric vehicles and green technology products in China.

Xi on his part denied that there was any overcapacity issue<sup>2</sup> from the point of comparative advantage or global market demand, and made few concessions on economic and trade issues. The only promise he made<sup>3</sup> was that "China will bring more cheese, ham, wine and other quality agricultural products from France to the dining tables of Chinese families".

<sup>1</sup> [https://ec.europa.eu/commission/presscorner/detail/en/statement\\_24\\_2462](https://ec.europa.eu/commission/presscorner/detail/en/statement_24_2462)

<sup>2</sup> [https://www.mfa.gov.cn/mfa\\_eng/zxxx\\_662805/202405/t20240506\\_11293488.html](https://www.mfa.gov.cn/mfa_eng/zxxx_662805/202405/t20240506_11293488.html)

<sup>3</sup> <https://news.cgtn.com/news/2024-05-07/Full-text-of-Xi-Jinping-s-remarks-on-the-China-France-Business-Council-1toAjNlQxK8/p.html>

During Xi's Serbia visit, the two countries announced that a free trade deal signed between the two countries in 2023 will come into effect on July 1 this year<sup>4</sup>. Other arrangements agreed included the establishment of new airlinks between the two countries, and China taking in imports of certain Serbian agricultural products, including dried plums and blueberry. In all, 28 joint cooperation agreements were reported to have been signed during the visit.

In Budapest, Xi pledged more investments in transport and energy, including the construction of a high speed railway connecting Budapest's city centre to the airport, building a railway bypass around Budapest<sup>5</sup>, and cooperation in the nuclear sector. China has also promised to move forward on a US\$ 2.1 bn project for a Budapest to Belgrade railway link as part of the Belt and Road Initiative (BRI). Interestingly, Hungarian Prime Minister Viktor Orban was reported as having said to Xi that his country did not identify with the rhetoric of so-called "overcapacity" or "de-risking." China's development was an opportunity rather than a risk for Europe, and Hungary was willing to strengthen multilateral communication and cooperation with China to jointly safeguard world peace and stability.

Analysts see Hungary being lured by China to become a gateway to the EU block as it seeks to address the EU's toughening de-risking policy. Beijing's partnership with Hungary could also help in neutralising the EU's tariffs (including any countervailing duty) on China. It may be mentioned here that China's BYD company has already begun to build its first European EV production factory for making passenger cars in Szeged in the south of Hungary, with production commencing in three years time .

## **Ninth Trilateral Summit of China, Japan and the Republic of Korea**

China's Premier Li Qiang, who attended the trilateral summit of the three countries along with President Yoon Suk Yeol of Korea and PM Kishida Fumio of Japan in Seoul on May 27, 2024, urged Japan and Korea to reject protectionism and uphold globalisation. In this trilateral summit, held after a gap of almost five years, Li also called for opposing turning economic and trade issues into political games or security matters, and for rejecting protectionism as well as decoupling or the severing of supply chains.

<sup>4</sup> [http://nl.china-embassy.gov.cn/eng/zgyw/202405/t20240509\\_11301514.htm](http://nl.china-embassy.gov.cn/eng/zgyw/202405/t20240509_11301514.htm)

<sup>5</sup> <https://dailynewshungary.com/rail-ring-road-around-budapest-airport-high-speed-railway-to-be-built-with-chinese-investment/>



The joint declaration<sup>6</sup> agreed at the summit, however, steered clear of controversial issues but did reaffirm commitment to keeping markets open, strengthening supply chain cooperation and avoiding supply chain disruptions. On export control, the three sides merely shared the need to continue communications. On the trilateral China-Japan-Korea FTA that has been under discussion for long, and has been on pause since 2019, the declaration talked about speeding up of negotiations. Further, the leaders reaffirmed that RCEP was an open and inclusive engagement, and encouraged the RCEP Joint Committee to accelerate discussion on accession procedures of new membership in RCEP (Sri Lanka has applied to join, and Bangladesh has shown intent to do so).

The foregoing has to be noted against Japan's Economic Security policies, that stress in part "Japan will curb excessive dependence on specific countries, ... promote capital reinforcement of private enterprises with critical goods and technologies, and strengthen the function of policy-based finance, in pursuit of protecting and nurturing critical goods." In the area of rare earths, in which Japan used to be over 90 per cent dependent on China, the dependence has considerably reduced to less than 60 per cent. That said, China's share in Japan's imports which was 20.96% in 2022 has climbed to 22.16% in 2023. On the other hand, China's share in Japan's exports has declined from 19.35% to 17.6% during the same period.

As for Korea, a newsreport<sup>7</sup> has pointed out that the United States emerged as South Korea's top export destination in December 2023, surpassing China for the first time since 2004. There have also been heavy investments by South Korean "chaebols" in the United States, mainly in the automotive industry, including car batteries. South Korea's ministry of trade, industry and energy also announced a strategy designed to stabilise South Korea's supply chains and reduce dependence on any product from China to less than 50 per cent by 2030.

One analyst has noted<sup>8</sup> that while all the three countries were keenly aware that protecting economic security was critical to their national interests, they did not want to decouple from one another. They remained interdependent in numerous ways. Most of all, despite some disagreements over national identity, historical perceptions and security interests, functional cooperation among the three countries was possible as well as unavoidable.

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<sup>6</sup> <https://www.mofa.go.jp/files/100675321.pdf>

<sup>7</sup> <https://asiatimes.com/2024/03/s-korean-trade-diplomacy-trending-away-from-china/>

<sup>8</sup> <https://www.csis.org/analysis/featured-contribution-koreas-role-facilitator-trilateral-cooperation-northeast-asia>

## China launches Anti-Dumping probe against POM imports

China launched anti-dumping proceedings on May 19, 2024 against imports of polyoxymethylene copolymer (POM is an engineering thermoplastic) from the US, EU and Taiwan<sup>9</sup>. POM copolymer is used in a broad range of industries including autoparts, electronic devices, medical equipment and construction materials. It is also able to particularly replace metals like copper, zinc, tin and lead. The Chinese Ministry of Commerce stated that the probe was launched after receiving complaints from six Chinese companies seeking the probe.

## China introduces export controls on aviation products and bans economic activities with three US companies

China's Ministry of Commerce announced the introduction of export restrictions beginning July 1, 2024 on certain aerospace engineering related items<sup>10</sup>. The move was stated to safeguard national security and related interests, and fulfill international obligations such as non-proliferation. The export controls are to apply to aircraft and aerospace engines and structural parts, engine manufacturing related equipment, software and technology. They will also include tools, molds, fixtures, and other processing equipment to make certain materials like 'superplastics' bonded with titanium, aluminium and their alloys. The notice further said that the controls would also apply to technologies used in the development, making and use of equipment, including design drawings, process specifications, process parameters, processing procedures and simulation data.

Some reports have, however, wondered about the overall purpose behind the move and its possible impact. While China has developed its own jet engines, it still relies on foreign suppliers for key parts of aircraft that it has begun to produce using its own technology and manufacturers.

Separately, China added three US companies, including Boeing Defense, Space & Security, General Atomics Aeronautical Systems and General Dynamics Land Systems to its unreliable entities list<sup>11</sup>, and imposed several sanctions, including a ban on trade with China as well as huge fines, against the firms for participating in arms sales to Taiwan. The three US companies are also banned from increasing new investments in China. Additionally, their executives are

<sup>9</sup> <https://www.reuters.com/business/china-launches-anti-dumping-probe-into-eu-us-japan-taiwan-chemicals-2024-05-19/>

<sup>10</sup> <https://news.cgtn.com/news/2024-05-31/China-to-impose-export-controls-on-certain-aviation-space-equipment-1u37xNCxBeg/p.html>

<sup>11</sup> <https://www.globaltimes.cn/page/202405/1312611.shtml>



banned from entering China, and any existing entry or work permits will be revoked.

## President Biden announces more Section 301 tariffs on Chinese products

Following a 4-year review by the office of the USTR of a Section 301 investigation against China's unfair practices regarding technology transfer, intellectual property and innovation, President Biden on May 14, 2024, directed the USTR to increase tariffs on imports from China across several strategic sectors as per the following<sup>12</sup>:

1. Certain steel and aluminium products: Increase from 0-7.5% to 25% in 2024;
2. Semiconductors: Increase from 25% to 50% in 2025;
3. Electric Vehicles: From 25% to 100%;
4. Lithium ion EV batteries and battery parts: From 7.5% to 25% in 2024; Lithium ion non-EV batteries: From 7.5% to 25% in 2026;
5. Natural graphite and permanent magnets : From 0 to 25% in 2026; certain other critical minerals : From 0 to 25% in 2024;
6. Solar cells whether or not assembled in modules : From 25% to 50% in 2024;
7. Ship to shore cranes : From 0% to 25% in 2024;
8. Syringes and needles: 0% to 50% in 2024; PPE including face masks and certain respirators: 0-7.5% to 25% in 2024; Rubber medical and surgical gloves: 7.5% to 25% in 2026.

The new measures are assessed as affecting US\$ 18 bn in imports of goods from China of these items. President Biden said "American workers can out-work and out-compete anyone as long as the competition is fair but for too long it hasn't been fair" and added "We are not going to let China flood our market".

It may be mentioned here that US imported US\$ 427 bn in goods from China in the year 2023, as against its own exports to China of goods worth US\$ 148 bn.

Commenting on these tariffs, Wang Wenbin, a spokesperson for the Chinese Foreign Ministry, said that China has always opposed violating WTO rules and unilaterally imposing tariffs. He also affirmed that "China will take all necessary measures to safeguard its legitimate rights and interests".

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<sup>12</sup> <https://www.whitehouse.gov/briefing-room/statements-releases/2024/05/14/fact-sheet-president-biden-takes-action-to-protect-american-workers-and-businesses-from-chinas-unfair-trade-practices/>

## US Treasury Secretary calls for closer coordination between EU and US in tackling overcapacity and related issues

US Treasury Secretary Janet Yellen, in her speech<sup>13</sup> at the Frankfurt School of Finance and Management on May 21, 2024, said that industrial overcapacity not only posed a threat to firms in the US and in Europe, but it could also prevent countries from around the world, including emerging markets, from building the industries that could power their growth. In a speech that dealt with issues ranging from bolstering security, driving sustainable growth, navigating a shifting economic landscape and technological change including the rise of AI, she called for closer coordination between the US and the EU in each of these areas. She added “China’s overcapacity may seem remote as we sit here in this room, but if we do not respond strategically and in a united way, the viability of businesses in both our countries and around the world could be at risk”.

## USTR Op-ed in the Financial Times on trade and social contract

USTR Katherine Tai wrote an opinion piece titled ‘Trade must transform its role in the Social Contract’ in the Financial Times published on May 28, 2024, arguing that trade as an integral part of economic policy must serve the interests of the working people. She alluded to how the Atlantic Charter of 1941 stated that international economic cooperation is to be pursued “with the object of securing for all improved labour standards, economic advancement and social security”. She said that deferring to the market or to trickle down economic policy had its limits in ensuring that economic policy benefitted working people, and said those limits needed to be recognised when it came to trade. She went on to argue that a laissez-faire system had allowed short term profit driven businesses to maximise their gains, often by partnering with a non-market autocracy to further that goal. While profits and executive pay soared, workers suffered. Meanwhile, concentrated production emboldened monopolistic behaviour by countries such as China. She cautioned “whether in digital trade or other sectors we must be clear eyed that China was not just a trading partner but is pursuing global dominance across key economic sectors”. That is why, she said, President Biden had recently directed an increase in tariffs on a range of products, including electric vehicles and batteries, to counter China’s unfair practices including cyber theft.

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<sup>13</sup> <https://home.treasury.gov/news/press-releases/jy2360>

## US revokes licenses of certain chips exports to Huawei

News reports appeared on May 9, 2024 that the US government has revoked some licenses<sup>14</sup> that allowed US chipmakers like Intel and Qualcomm to export certain chips used in the manufacture of laptops and handsets. While what was revoked was not specifically mentioned, the US chip companies had apparently been informed of the move. This move has come after the release of Huawei's first AI-enabled laptop, the Matebook X Pro, powered by Intel's new core Ultra 9 processor.

China's foreign ministry responded in a statement that the US was "overstretching the concept of national security and abusing export controls to suppress Chinese companies without any justification".

## G-7 Finance Ministers meeting addresses economic security and resilience issues

The meeting of Finance Ministers and Central bank governors of G-7 economies held in Stresa, Italy, from May 23-25, 2024 resolved inter alia to make their supply chains more resilient, reliable, diversified and sustainable, and to respond to harmful practices while safeguarding critical and emerging technologies. The joint communique<sup>15</sup> issued by them also stated that they will enhance cooperation to address non-market policies, including those leading to overcapacity, through a wide range of policy tools and rules to ensure a level playing field. They expressed concerns about China's comprehensive use of non-market policies and practices that undermined their workers, industries and economic resilience. Further, they encouraged international organisations to improve the quality and availability of data on industrial policy and non-market practices, as well as monitoring tools in this area.

## EU launches Anti-Dumping investigations on a range of products from China

During the month of May 2024, the EU Commission launched anti-dumping proceedings on imports from China of several products including tin steel plate, seamless pipes and tubes, multilayered parquet wood flooring, vanillin (compound responsible for the flavour and aroma of vanilla) and lysine (a feed additive).

<sup>14</sup> [https://www.business-standard.com/world-news/us-revokes-intel-qualcomm-s-export-licenses-to-sell-to-china-s-huawei-124050800407\\_1.html](https://www.business-standard.com/world-news/us-revokes-intel-qualcomm-s-export-licenses-to-sell-to-china-s-huawei-124050800407_1.html)

<sup>15</sup> [https://www.mof.go.jp/english/policy/international\\_policy/convention/g7/20240525.pdf](https://www.mof.go.jp/english/policy/international_policy/convention/g7/20240525.pdf)

## Capgemini Survey

A study by the Capgemini Research Institute, which surveyed 1300 senior executives of large companies headquartered in Europe and the US, published a report<sup>16</sup> on 'Reindustrialisation strategies in Europe and the US' which projected that the reindustrialisation<sup>17</sup> investment of Europe and the US in the next three years will reach US\$ 3.4 trillion. While the focus of these efforts may be mainly towards strengthening domestic manufacturing and nearshoring, the report also found that 58% of executives said they were derisking supply chains by investing in other emerging countries to reduce their companies' reliance on China. To this end, businesses were distributing their assets (such as production facilities, warehouses and logistics centres) across geographies such as India, South East Asia, Africa and Mexico. What was also interesting was that 65% of them were expecting to increase investment in India significantly<sup>18</sup> during the next three years. India scored better in this regard compared to South East Asia (60%), Africa (54%) and Mexico (13%).

## Nomura report

Yet another report, by the global financial services group Nomura, released on May 28, 2024, has identified India and Vietnam as key beneficiaries of the 'China plus one' strategy<sup>19</sup>. The report projects India's exports to surge to US\$ 835 bn by 2030, a significant increase from the US\$ 431 bn recorded in 2023. India's robust domestic market forms a key attraction for companies seeking alternatives to China for their manufacturing and supply chain operations. Industries that may be particularly favoured are identified as electronics, apparel, toys, automobiles, capital goods and semiconductor manufacturing. Electronics is expected to experience the most rapid expansion, with exports growing annually at around 24% and reaching US\$ 84 bn by 2030. Similarly, machinery exports are expected to double, climbing from US\$ 28 bn in 2023 to US\$ 61 bn by the end of the decade.

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<sup>16</sup> [https://www.capgemini.com/wp-content/uploads/2024/04/CRI\\_Reindustrialization\\_Final\\_1.pdf](https://www.capgemini.com/wp-content/uploads/2024/04/CRI_Reindustrialization_Final_1.pdf)

<sup>17</sup> Reindustrialisation has been defined as reconfiguration of global supply chains and manufacturing capacity, including reshoring, and nearshoring production, as well as diversifying and investing in domestic manufacturing/production.

<sup>18</sup> The report has clarified that 'significantly' here means by more than 50% compared to the investment made in the country concerned during the previous three years.

<sup>19</sup> <https://timesofindia.indiatimes.com/business/india-business/india-big-gainer-from-china-plus-one-strategy-exports-to-almost-double-to-835-billion-heres-why/articleshow/110523123.cms>

## India's contribution to US healthcare system - IQVIA report

The IQVIA Institute for human data Science headquartered in Durham in the US released a report on US-India Medicine Partnership on April, 30, 2024 that presented several key findings in this strategic area:

- Indian pharma companies supply a substantial proportion of drugs to US residents with four out of ten prescriptions filled in the US in 2022 being supplied by Indian companies;
- Indian pharma companies supplied 47% of all generic prescriptions filled in the US and 15% of the volume of biosimilars;
- Out of the top 10 therapy areas by prescription volume, Indian companies supplied more than half of the prescriptions for five: hypertension, mental health, lipid regulators, nervous system disorders and anti-ulcerants; and
- Overall medicines from Indian companies provided US\$ 219 bn in savings to the US healthcare system in 2022 and a total of US\$ 1.3 trillion between 2013 and 2022.

The report further notes that concerns around the geographic consolidation of manufacturing of key starting materials (KSI) and active pharmaceutical ingredients (API) supply chain provide further opportunity for Indian companies to partner with the US in derisking the supply chain. Overall global API production is highly concentrated, with China alone generating over 2 million tons of APIs annually and fulfilling 40% of global needs. While India is the main source of affordable generic drugs for the US, it depends on China for 70% of its APIs. India has made efforts to increase the production of APIs and KSIs through its production linked incentive programme.

The report suggests several policies and other interventions that can be considered to develop the India-US partnership, such as establishing a joint pharma supply chain working group, providing incentives to build a reliable supply chain, considering joint manufacturing and other collaborations across Indian and the US companies and generating scientific collaboration and technological upgrades along with a bilateral trade agreement.

## Indian Pharmaceutical Alliance calls for an India-US Affordable Medicine Partnership

Members of the Indian Pharmaceutical Alliance (IPA) representing 23 leading Indian generic pharma companies who convened in Washington D.C. called for a transformative 'Affordable Medicine Partnership' aimed at shoring up

health and national security in the US and in India<sup>20</sup>. This according to them will reduce reliance on foreign sources for both nations' pharmaceutical supply chains and ensure affordable medicine resilience. Pointing to the findings of the IQVIA report, the Vice President of IPA Sharvil Patel said "The time has come to restore balance and build resilience in these critical networks. This is not merely prudent - it is crucial". It was further stated that such a partnership will align with the February 2021 Executive Order on America's supply chains in which President Biden identified pharmaceuticals and APIs as a supply chain risk and declared that "the US needs resilient, diverse and secure supply chains to ensure our economic prosperity and national security".

## India's trade figures for 2023-24 released

India's merchandise exports shrank by 3.09 % in 2023-24 to US\$ 437 bn from US\$ 451 bn in 2022-23, as per trade figures released by the Department of Commerce. Imports contracted by an even higher percentage of 5.66 % to US\$ 675 bn, as against US\$ 716 bn in 2022-23. This led to a slight reduction in the merchandise trade deficit to US\$ 238 bn, as against US\$ 265 bn in the previous year. Other noteworthy features were as follows:

- India's goods exports to China grew by 8.8% to US\$ 16.7 bn in 2023-24, but this figure was significantly behind the US\$ 21 bn reached in the years 2020-21 and 2021-22. As against this, imports from China, that have steadily risen over the years, went up by a further 3.8% to US\$ 101.7 bn in 2023-24, in the process again surpassing a 15% share in India's imports. China also became the largest goods trade partner in 2023-24, marginally edging past the US.
- India's exports to the US declined slightly by 1.31% to US\$ 77.5 bn, even as it continues to be India's top export destination with a share of 17.73% in India's exports. Imports during the year from the US, however, went down by 19.8% to US\$ 40.8 bn. A sharp reduction in imports of petroleum crude and petroleum gases, as well as of diamonds, contributed significantly to this decline.
- Russia became the second largest source of India's imports at US\$ 61.4 bn in 2023-24, 33% over imports during the previous year when it was the fourth largest source. This is on top of the 388% increase in imports in 2022-23 over the year 2021-22. Petroleum imports formed the bulk, but substantial imports also occurred of fertilisers, coal, vegetable oil and diamonds. India's exports to Russia, however, were a mere US\$ 4.26 bn in 2023-24, even as this represented a 35.4% increase over 2022-23.

<sup>20</sup> <https://www.ipa-india.org/wp-content/uploads/2024/05/IPA-Indian-Pharmaceutical-Leaders-Urge-U.S.pdf>



- India's merchandise exports to its new FTA partners, UAE and Australia, did relatively well during the year. Exports to the UAE went up by 12.7% to US\$ 35.6 bn and to Australia by 14.23% to US\$ 7.94 bn. But imports from the UAE and Australia both declined by 9.8% and 15% respectively. A similar trend was also observed vis-a-vis Mauritius.
- With EFTA countries, with whom the FTA is still to come into force, exports remained at the same level as in the previous year but imports rose significantly by 32%, principally due to a sharp rise in the import of gold from Switzerland.
- As for the UK, with which an FTA deal is at an advanced stage of negotiations, India's exports rose by 13.3% to US\$ 12.9 bn in 2023-24. With the EU, with which a separate deal is also under negotiation, India's exports increased by 1.46%, totalling US\$ 75.9bn. Imports from both the UK and the EU declined by 6% and 2.7%, respectively, and India has a surplus trade balance with both.
- India's trade with other existing FTA partners, namely Japan, Republic of Korea, ASEAN countries and South Asia, also showed declines of varying degrees in both exports and imports during the year. The only exception was in the case of Japan's exports to India, which rose by 7.29% to US\$ 17.7bn.
- Sectorwise, India's telecom equipment exports performed very well, rising by 34.3% to US\$ 17.3 bn. Electric equipment and machinery also climbed by 12.85% to US\$ 12.37 bn. Drug formulations and biologicals went up by 11.6% to US\$ 21.7 bn to rank second overall in exports, next only to exports of petroleum products.
- Imports could be contained during the year due to a significant decline in value of imports of crude, petroleum products and coal, mainly due to their price declines. But there was a substantial increase in the imports of electronic components, which rose by 36.8% to US\$ 34.36 bn, and a sharp rise by 30% in gold imports totalling US\$ 45.54 bn. Imports of telecom equipment were also high, growing by 12.7% to US\$ 18.46 bn.

Finally, India's services exports during 2023-24 were estimated to have totalled US\$ 340 bn, an increase of 4.4% over the previous year. But imports of services declined somewhat to US\$ 177.56 bn, that was 2.7% less than the figure recorded in the year 2022-23. Thus, India's trade surplus on account of trade in services went up to US\$ 162 bn. This in turn helped to narrow the overall trade deficit covering both merchandise goods and services to US\$ 78 bn in 2023-24.

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