ISSN: 2230-9926

Available online at http://www.journalijdr.com

IJDR

International Journal of Development Research
Vol. 13, Issue, 08, pp. 63511-63516, August, 2023
https://doi.org/10.37118/ijdr.27071.08.2023

RESEARCH ARTICLE OPEN ACCESS

A SECTOR WISE ANALYSIS OF INDIA'S IMPORT DEPENDENCE AND TRADE RELATIONS WITH OTHER COUNTRIES

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ARTICLE INFO

Article History:
Received 11th May, 2023
Received in revised form
26th June, 2023
Accepted 16th July, 2023
Published online 30th August, 2023

KeyWords:

Import Dependency, Trade Relations, Indian Sectors, Trade Analysis, Import Export.

ABSTRACT

Background: This paper aims to identify key sectors that contribute to our import bill for import substitution including Crude Oil, Gold and Precious Metals, Steel, Organic Chemicals, Plastics and Electronics. The analysis has been aimed at studying these sectors in terms of production and export capabilities and have highlighted the import dependence in these sectors. A recommendation has been made regarding several sector-specific strategies for reducing import dependence by enhancing domestic production, based on an assessment of the specific needs and issues faced by each of the sectors. The paper has also touched upon our political and business relations with the countries from whom we have major import relations to get a better idea of the intricacies and the challenges we face in slowly moving towards our goal of self-reliance through these key sectors.

Citation: ***Janvi Mehta, Pratik Doshi, Ishan Pendse, Janit Singh and Reyaan Wanchoo. 2023.*** "A sector wise analysis of india's import dependence and trade relations with other countries". *International Journal of Development Research*, 13, (08), 63511-63516.

INTRODUCTION

Traditionally, manufacturing has played an important role in the economic growth and development, while also promoting job creation and enhancing technological capabilities in a country. In India however, the recent performance of the manufacturing sector has been a sign of an underlying inactivity, with the share of manufacturing in India's gross value added (GVA) declining to 15.1 percent in 2019-20, as compared to 18.35 percent in 2010-11, in spite of the strong and growing consumer demand in the country. This weakness in the domestic manufacturing sector has consequently let to a bigger dependence on imports to meet the growing domestic demand over the years, thus resulting in a huge trade deficit across the key manufacturing sectors. When we talk about the trade of goods and services, we can see that our economy has gone through various phases of interactions with the world since independence. After liberalisation, the external orientation of India increased, however not to the complete potential of our country. During the period 1991-92 to 2019-20, our exports have increased from US$ 18 billion to US$ 313 billion, (over 17 times). However, looking at the other side of the coin, during the same period, imports have also increased from US$ 20 billion to US$ 473 billion, (24 times). This is a clear indication of the fact that despite its best efforts, India has become more dependent on imports than ever before. The trade deficit as a result has further increased by 100 times, from US$ 1.6 billion in 1991-92 to US$ 160.5 billion in 2019-20. This statistic is increasingly now becoming a source of concern for an economy that aspires to stand on its own feet through greater self-reliance.

Review of Literature

Chaudhuri (2015) highlighted the need for policy action and role of government support to provide and ensure a larger demand, including through public procurement, tariff protection and using WTO flexibilities such as security exceptions to stimulate manufacturing investments and growth. He suggested that these demand enhancing measures must be co-ordinated with other government measures. *Sachan (2015)* suggested that to neutralize India's trade deficit in electronics goods, especially with China, strategies may be undertaken such as, developing domestic electronic production capabilities and adopting good practices in the broader policy space. *NITI Aayog (2016)* explained its Import substitution strategy for the electronic products sector which principally focused on the domestic market and tried to enlarge the share of firms located within India in the domestic market. Under this strategy, GOI would try to eliminate tariffs on inputs used in the 217 ITA-1 products, provide a variety of fiscal incentives and enable ten-year tax holiday on investments of $1 billion or more.

Reserve Bank of India (2019) found that electronic goods are majorly driven by telecom instruments, especially mobile phone parts. The switching of electronics imports from final consumption to intermediate goods offers hopes for higher investment, higher domestic value addition and more domestic employment. As a robust domestic manufacturing ecosystem forms and matures, the pace of increase in electronic goods imports could slow, setting India on a path to becoming a net electronic goods exporter with a nontrivial share in the global market.

Dhal (2008) provided analytical and empirical perspectives on India's physical gold demand during the period 1980-2005. Empirical outcomes discovered that the demand for gold is not only price-sensitive, but also significantly influenced by macroeconomic and financial variables. Based on the research they suggest certain policy changes like gold demand in the short run can be modulated with policy actions and monetary and financial policy initiatives through interest rate, exchange rate and asset prices. *World Gold Council (2014)* recommended that to strengthen domestic gold-related infrastructure in order to build self-reliance, India must allow banks to use gold as part of their liquidity reserve with the RBI, To create world-class refineries so as to produce homogenous gold of an internationally accepted standard, introduce state-of-the-art assaying units so the quality of gold products can be assessed quickly and easily. *CS Isha Shankar (2017)* suggests that the government needs to revamp its policies concerning gold. It should bring changes in taxation system as well as import policies. The challenge is to meet the everlasting demand with the limited supply of this scarce commodity at a steady price. *NITI Aayog (2018)* proposed measures to reduce Current Account Deficit due to gold by designing a Gold Policy aiming at increasing domestic supply of gold through mining, refining and recycling of gold.

of which originates from the Middle East. *Mathew (2018)* aims at finding out the factors which influences the Indian basket crude oil price changes and attempts to investigate the impact of this price fluctuation on Indian economy and also explore the causes and consequences of international crude oil price changes of Indian basket by creating an Oil Spreadsheet Model which has been referred to understand the supply and demand mechanism. *Shipra (2018)* highlights three major areas of the recent oil price drop which are its causes, implication, history and how the fall in oil price has impacted India's trade of petroleum products and makes a prediction regarding the outlook of the prices which look to rise as a result of steadily growing demand, agreed production cuts among oil exporters and stabilizing U.S. shale oil production. *Kesavan (2020)* rationalized that India's imports have been stagnated due to the COVID-19 lockdown. He then suggested that companies must look at newer methodologies to dispose of their inventories because of the rising sales inventory costs. Capabilities of regional logistics companies should be built to change with the change in demand at a short interval of time. India should stockpile oil when the prices are favourable in the international markets.

RESEARCH METHODOLOGY

Research Motives: Self-reliance in India has been a recurring topic of discussion within the country given the recent tensions with China. Analysing and knowing which sectors are dependent on imports from China and other countries is the first step towards the goal of self-reliance for India.

Production and Import expressed as units domestically produced or imported per 100 units consumed

	2018		*2019*			
	Production	**Import**	**Production**	**Import**	**Chi-square**	**Improvement**
Steel	92.82	7.18	93.81	6.19	0.15	Yes
Oil	16.71	83.29	16.16	83.84	0.02	No
Plastic	96.30	3.70	95.91	4.09	0.04	No
Chemicals	73.26	26.74	71.63	28.37	0.14	No
Gold	22.96	77.04	17.93	82.07	1.43	No
Total					1.77	
Significant					No	

Source: Data from respective Industry Bodies

This could imply a need to discover the possibilities of overhauling the domestic gold mining industry, enhance the use of existing excess capacity with domestic refineries, and incentivise and widen the network of mediators for increasing domestic household. *Mandal (2011)* analyses the plastic industry and its evident that the plastic industry in India is highly heterogeneous in nature due to the diverse nature and size of firms playing in the field. Entry is quite problematic, and you need to have significant capital to invest if it wants to enter this industry. *Ministry of Housing and Urban Affairs (2019)* stated GOI's goal to wipe out single-use plastic from India by 2022. A lot of state governments have also imposed state-wide bans on plastic products. It elaborated on Plastic Waste Management Rules (2018 amendment) which mandated plastic importers to work out modalities for waste collection system for collecting back the plastic waste and ensuring that carry bags made of virgin or recycled plastic, shall not be less than fifty microns in thickness, among other conditions. *Kumar (2012)* explored the chemical industry and showed that it is a critical component of the modern globalised world economy, converting raw materials like crude oil, natural gas, air, water, metals and minerals into diverse ready-to-use products which are essential for day-to-day – activities. The paper focuses on the industry as a whole and talks about the changes it might face, the competition and growth prospects. *Rastogi (2014)* analysed India's energy consumption of oil, consumption pattern, and oil products over the past four decades and the composition of India's oil import sources over the past five years and proposes a model to secure India's energy future since discovery of new oil reserves have challenged the status quo. Given the situation, India is specifically at risk because it imports nearly 70% of its oil requirement, up to 65%

Research Questions

RQ1: Which are the sectors that heavily contribute to the Import bill of India?
RQ2: How are the Trade and Political relations between India and its major trading partners?

Research Design

Nature of Study: The study is based on analysing the Sectors that majorly contribute to India's import bill and the trade and political relations India has with its global peers.

Scope of Study: The scope of the research is the study of sectors including Gold, Chemicals, Steel, Crude Oil, Plastics and examining relations India holds with China, USA and the Middle East.

Research Objectives

- To determine and analyse Indian sectors that are import dependent.
- To study the improvement in terms of the imports of these sectors over the past couple of years.
- To study trade and recent political relations of India with its major partners.

We have evaluated the Steel, Oil, Plastic, Chemicals and Gold industry in India to see the proportion of imports in total consumption of the goods from the respective industries. We then do a chi-square test to see if there has been a significant change in the proportion of the goods imported from 2018 to 2019. The domestic production and import data have been expressed as units domestically produced and imported per 100 units of the goods consumed. This transformation gives us a standard measurement for all the industries because the five industries operate at different scales. We require the following calculations:

$$\begin{aligned}Total\ Consumption\ in\ a\ year \\ = Quantity\ imported + Quantity\ produced\end{aligned}$$

$$Production = \frac{Quantity\ produced}{Total\ Consumption\ in\ a\ year} * 100$$

$$Import = \frac{Quantity\ imported}{Total\ Consumption\ in\ a\ year} * 100$$

$$Chi - square = \frac{(Production_{2019} - Production_{2018})^2}{Production_{2018}} + \frac{(Import_{2019} - Import_{2018})^2}{Import_{2018}}$$

Note: Quantity produced, and import are typically expressed in million tonnes, thousand tonnes or tonnes depending on the industry. Due to this inconsistency of measurement between industries, we standardize all of them.

FINDINGS

In order to interpret the results, we consider the Improvement and Chi-square columns. The Chi-square column represents the extent of change in imports from 2018 to 2019 and the Improvement column sheds light on whether such change is positive. We then use a Chi-square test to check if the sum of the Chi-square column (sum of the individual changes) is statistically significant. The above analysis indicates that there is no significant change in the imports and domestic production (per 100 units of goods consumed) of the 5 industries listed above. This means that either there is no significant change in the incentive/disincentive structure available to the economy for substituting imports or the changes are ineffective. Among the five, Gold is the biggest area of concern for the Indian economy because the import of gold has increased the most (in comparison to the other 4) from 2018 to 2019. Chemicals is the next concern, followed by Plastics, Oil and Steel (in order). It should be noted that Steel here is the least concerning among the five because it has shown improvement, although insignificant.

The electronics industry has been excluded from this analysis because of lack of credible data.

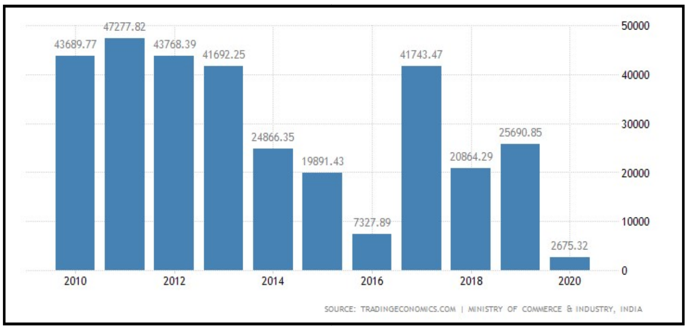
Trade Analysis

Sector Analysis

Gems and Jewellery

Background: India is the biggest importer of gold, which caters majorly to the demand of the jewellery industry. Looking at the volumes, India has historically imported 800-900 tonnes of gold annually (of which over 600 tonnes are used in the jewellery industry). The demand of the consumers dropped to 600 tonnes in 2016-17 (due to demonetisation) -- far below the average annual demand of 846 tonnes of the past five years. But the World Gold Council's estimates that the consumer demand is predicted to rise to a range of 850 to 950 tonnes by 2025. However, the coronavirus pandemic led to the imports of gold fall by over 90% in the months of April and May this year. Industry experts once again however expect the imports to soon reach their historical levels as the county continues to recover from the pandemic.

Imports of Precious Metals in India decreased to 2675.32 USD Million in 2020 from 25690.85 USD Million in 2019.



The decline in gold imports has narrowed the country's trade deficit to $ 152.88 billion in the previous fiscal, as compared to $ 184 billion a year ago. Likewise, the silver imports during this time also dropped by 30.7 per cent to USD 437.89 million. India imports its gold from over 15 countries, but the 3 major players are Switzerland (15.1B$), UAE (3.5B$) and Ghana (2.1B$). As is evident, Switzerland has a share of over 4 times the second biggest exporter. India is the 3rd biggest consumer of polished diamonds. Imports of diamonds rose to $165 million in October 2019 from $92 million in October 2018. The diamond processing industry has spread even further from Gujarat, but it still accounts for almost 85 per cent of the diamonds processed in India as compared to other states. The country imports its diamonds majorly from Belgium (US$5.6 billion) UAE ($5.2 billion) and the United States ($4.6 billion). India cuts and polishes 14 out of 15 diamonds produced in the world but its imports fell to almost negligible levels during the initial lockdown that was implemented in the country. Consequently, The Gem & Jewellery Export Promotion Council (GJEPC) has implored the government to reduce the import tax rate to 2.5% from the present rate of 7.5% so that the industry successfully overcomes the pandemic and builds a strong position to become the major trading hub of diamonds too, along with already being the undisputed leader in terms of manufacturing.

Organic Chemicals

Background: In India, the chemical industry has emerged as one of the fastest growing, ranking third in Asia and the sixth largest market in the world with respect to output, after the USA, China, Germany, Japan, and South Korea. Apart from producing a wide range of finished products like fertilizers, pesticides, LED lighting, and other agrochemical products, the industry also produces key inputs for other manufacturing activities like synthetic fibres and plastics and water chemistry that benefit living standards and consumers around the world.

Imports: During 2015-19, India's imports of major chemicals grew at an average of 8.1 percent from US$ 23.5 billion in 2015 to US$ 30.8 billion in 2019. More than 50 percent of this import demand was met by supplies from China. Around 65 percent of India's total chemical imports comprised of organic chemicals, aggregating to US$ 22.5 billion in 2019, registering an AAGR of 7.8 percent during 2015-19.

Need for Greater Integration into the GVCs: Emphasis is laid on substitution of imports through capacity additions and more importantly the identification of the needs for greater integration into the Global Value Chains (GVCs) to enable specialization at various stages of production. Looking at the forward and backward links in the chemical sector in the Indian and Chinese context, it is seen that India has been having an ever-increasing dependence (backward linkage) on China for some important and very necessary inputs required by the chemical and pharmaceutical industry. In the years 2010 to 2019, India's import of chemicals from the rest of the world increased at an AAGR of 7.2 percent, but the imports from China grew at an AAGR of 9.9 percent, which meant that over 33 percent of our chemical imports were coming from China in 2019.

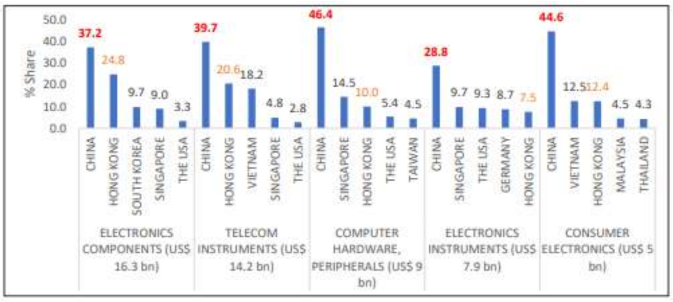
Import Substitution through Capacity Addition: Further, it is noted that heavy dependence on China for imports of chemicals that are used as key inputs for producing both the pharmaceuticals and other manufactured products, is affecting the end-use sectors significantly, with the supply chain disruptions due to the COVID pandemic. Also, if there are supply disruptions or price escalation caused by geo-political tensions between the two countries, the production and export commitments would be significantly impacted. Import substitution, in this regard, is not only required to make India self-reliant in end-to-end indigenous chemical manufacturing but more importantly, to make the sector globally competitive.

Investments: Investments in the Indian chemical industry should exercise greater importance on the two fronts – technology and innovation. Development in technology can be achieved by the chemical industry in and at two levels. The chemical industry should practice process innovation with the aim of reduction in cost of production in the bulk products segment. Furthermore, the industry needs to invest in technological resources that would make specialized product development possible. Countries like the USA, Germany, Japan, and South Korea were amongst the leading importers of chemicals in 2019, comprising of over 25 percent of the world imports of chemicals. Despite having the technical know-how and availability of resources, these countries were significantly dependent on China to meet their import demand. As India scales up its domestic manufacturing capacities, it should enter into strategic partnerships with these countries to boost investments and provide conducive business environment to manufacture in India.

Electronics

Background: Over the recent years, India's Electronics System Design and Manufacturing (ESDM) sector has witnessed a rapid growth, with the total production registering a CAGR of 24.5 percent during the period 2014-15 to 2018-19 to reach an estimated ₹4,58,006 crore.

Trade: UAE was the largest export destination for electronics exports from India, accounting for nearly 21.8 percent of the total electronics exports from India in 2019-20, followed by the USA (16.6 percent), China (7.9 percent), Russia (4.7 percent), Singapore (3.8 percent) and Germany (3.7 percent). Meanwhile, China was the largest import source for electronics goods in India, accounting for a share of 38.9 percent in the total electronics imports in 2019-20, followed by Hong Kong (17.3 percent), Singapore (8.4 percent), Vietnam (7.6 percent), and South Korea (4.7 percent).



Growing Import Dependence on China: Although China is the largest import source, imports from China in terms of value has been declining over the past two years, contracting from US$ 31 billion in 2017-18 to US$ 20.4 billion in 2019-20. However, the imports from Hong Kong have parallelly witnessed a significant rise in the last two years, rising from US$ 1.2 billion in 2017-18 to US$ 9.1 billion in 2019-20. As a result, Hong Kong featured among the top import sources in all product categories in 2019-20.

Future Outlook: While global lead firms in the electronics space already have presence in India, their operations have been limited to assembly, as opposed to manufacturing across different stages of the value chain. In order to attract and encourage investments to boost manufacturing and exports, global lead firms must be incentivized to upscale their operations. The recently launched Production Linked Incentive Scheme for Large Scale Electronics Manufacturing (PLI) and Scheme for Promotion of Manufacturing of Electronic Components and Semiconductors (SPECS) are encouraging initiatives for engendering large scale investments in the sector. However, there is a need to consider recalibration of both the schemes in order to cover a larger segment of beneficiaries under these schemes. For instance, the PLI scheme is currently restricted to large scale mobile phones and its components alone. Considering the high import dependence in electronic components, and the high potential and demand for medical devices, the government could consider extending the scheme to cover other important high value electronic products and components such as health devices, telecom equipment other than mobile phones, computing equipment like laptops and others, as well as to electronics components.

Plastics

Background : The Indian plastics industry comprises of a wide range of raw materials, plastic-moulded extruded goods and polyester films, writing instruments, polyvinyl chloride (PVC), leather cloth and sheeting, packaging, consumer goods, sanitary fittings, electrical accessories, medical surgical ware. This shows the level of diversification of the industry.

Imports: During 2010-19, India's imports of plastic grew at an average of 8.3 percent from US$ 7.3 billion in 2010 to US$ 14.6 billion in 2019. Poly Vinyl Chloride (PVC) accounted for the highest imported plastic product by India in 2019, amounting to US$ 1.9 billion, a marginal increase from its value in 2018, and registering a high AAGR of 45.3 percent during 2010 and 2019. It is important to note that India has emerged as the largest importer of PVC in the last ten years, accounting for about 17 percent of the world imports in 2019, substantially higher from 1.1 percent in 2010. The key reasons for the rapidly growing PVC imports by India are relatively lesser import duties on PVC imports, compared to other countries and low investments and capacity creation in the PVC manufacturing space. PVC is a high strength thermoplastic material widely used in applications such as pipes, medical devices, wire, and cable insulation.

Table 2.16: India's Top Trading Partners Contributing to the Trade Deficit for PVC (2019)

Country	Trade Balance (US$ Billion)	Import (US$ Billion)	Share in value in India's imports of PVC (2019)
Japan	(-) 0.43	0.43	22.3%
Taipei	(-) 0.42	0.42	21.8%
South Korea	(-) 0.31	0.31	15.9%
Russia	(-) 0.10	0.10	5.0%
China	(-) 0.08	0.08	4.1%

China

China was the largest import source for India's plastic sector in 2019, accounting for 19.3 percent of the total imports amounting to US$ 2.8 billion. It is to be noted that India's plastic imports from China registered a higher AAGR of 16.7 percent during the period 2010 to 2019 against the 8.3 percent average annual growth of total plastic imports by India, during the same period.

Challenges and Strategies

Production Linked Incentives and Infrastructure Creation: As India's plastic industry strives towards creating additional manufacturing capacity to achieve self-reliance in the plastics industry, it is suggested that the government should introduce the production linked incentive (PLI) scheme, to support the plastic industry, along the similar lines as was introduced for the electronics sector in May 2020. The scheme proposes a financial incentive to boost domestic manufacturing and attract large investments across the entire value chain. It also provides for an incentive of 4 percent-6 percent on incremental sales of the goods manufactured in India, enabling India to emerge as a viable alternative to giants like China in the medium term.

Entering into Comprehensive Economic Partnership Agreements: It is suggested that the government may forge partnerships with major importers of plastic like the USA, Germany, and Mexico that are strong in plastic manufacturing technology, but still would depend on imports, for manufacturing in India. It is to be noted that, together, these three countries comprised of 41 percent of the world imports in 2019, more that 10 percent of which was sourced from China. In addition, China's share in the USA's total imports of plastic increased from 28.5 percent in 2010 to 32 percent in 2019.

Steel

Background: India is one of the world's largest producers of crude steel and the production was recorded at 111.2 MT in 2019, up from 69 MT in 2010, thereby registering an AAGR of 5.5 percent during this period. India's share in the global crude steel production was 6 percent in 2019.

Imports: India's total imports for iron and steel were US$ 16.8 billion in 2019, of this almost US$ 3 billion were from China, i.e., close to 18 percent. However, more dependency is seen in the imports of articles of iron and steel where US$ 1.7 billion were from China, out of the total US$ 5 billion imports. It may be noted that India has a trade deficit of almost (-) US$ 2.3 billion with China in iron and steel. Some of the items where India has high trade deficit with China are 'Tubes, pipes and hollow profiles, seamless, of iron or steel62' (- US$ 541 million).

Deficit with South Korea: India and South Korea entered into Comprehensive Economic Partnership Agreement (CEPA) in 2009 which came into effect on 1st January 2010. It may be noted that for India, this agreement didn't turn to be of much benefit. India's trade deficit in iron and steel with South Korea was (-) US$ 1.1 billion in 2009 and increased to (-) US$ 2.5 billion in 2019. With respect to steel products imported from South Korea, flat-rolled products of iron or non-alloy steel are majorly responsible for the trade deficit. Other than strengthening the local capacities in these areas, India also needs to raise awareness on the utilisation of preferential tariffs. While the global utilisation of preferences is as high as 70 percent to 80 percent, India generally uses tariff preferences under FTAs only to the extent of 5-25 percent65. In the long term, the ability to better utilise this can increase India's exports and consequently reduce the trade deficit. Having signed a few PTAs with countries like South Korea and Japan in the past, India may like to review the implications of such PTAs on the industry. Also, Indian producers need to upscale themselves to in order to make iron and steel at globally competitive prices and seek Government help in this regard. Indian steel producers should modernise their plants with state-of-the-art technology to consequently increase the productivity, better quality and decrease maintenance costs. Some of the focus areas could be tubes and pipes, screw, bolts and nuts, 62HS 7304 63HS stranded wires, ropes and cables, including stainless steels, amongst others. This can lead to reduced dependence on imports from China in the long run in some of the segments.

Crude Oil

Background: India is the third largest importer of crude oil globally after China and the United States. In terms of quantity the net imports into the country have increased significantly from 130 MMT to close to 220 MMT in a span of ten years. Also, in monetary value the money spent on importing Crude Oil increased from $ 70 Billion to $ 101 Billion in a span of four years. India held onto its spot of one of the largest consumers of oil by consuming close to 5.2 million barrels per day as of 2019.

Imports: Being the third largest importer of crude oil in the world, India's imports account for close to 83% of its consumption requirements with the remaining supply coming from domestic reserves and production facilities. Iraq and Saudi Arabia were the two of the largest sources of Crude oil for India with Iraq accounting for almost 25% of India's Import demands. Iran also accounted for 11% of India's energy demands. India also started ramping up its imports of crude oil from USA in an attempt to diversify its energy demand portfolio. After the attacks on the Saudi Arabia manufacturing facilities which sent oil prices soaring and also caused concerns of supply shortages the need for diversification was evident. This led to imports from USA rising ten-fold from 25000 barrels a day to 250000 barrels per day in a span of 4 years.

Future Outlook: India is set to outpace the growth in Crude oil demand but not to the same extent as US and China which would continue to be the dominating forces. Crude Oil demand is predicted to grow at a rate of 4% over the next 15 years. The country also aims to reduce oil import dependency by 10% by 2022. Reports suggest that India's consumption of Oil is going to double to 10 million barrels per day by 2050 but eventually the structure of energy consumption is set to change due to an increasing utilization of renewable energy as compared to fossil fuels. COVID-19 led to a drastic fall in oil prices and prices fell by 60%. Due to severe lockdowns and restrictions on travel there was a fall in the demand for oil. Many upstream oil companies suffered due to the sudden fall in demand and prices. But this fall in crude oil prices helped India reduce its import bill by 10%. The Oil sector is key for economic revival in these troubled times and arrant government support and investment.

Country Analysis

Trade with China

Trade and Business Relations: China is Asia's largest economy and the second largest economy in the globe after USA. India being the third largest economy in Asia holds significant trade relations with China. But these trade relations are in favour of China as India runs a large trade deficit with the country. Although China accounts for close to 6% of India's Exports, it also accounts for 14% of India's import bill. This vast difference leads to India running a trade deficit with the country. In the last 10 years, India's trade deficit with China rose by 155 per cent from $19 billion in FY10 to $48 billion in FY20. Whereas India's imports from China have increased by roughly 151 per cent. In FY10, India imported goods worth $30 billion from China. Since then, it has gradually increased, and by FY18, India was importing goods worth $76 billion. The same didn't happen for India's exports to China. On the other hand, India's exports to China only increased from 11 billion in 2010 to close to 17 billion in a span of ten years. India's growing electronic industry is supplied by China majorly and of the total $65 billion imports from China, electronics and their parts were worth $19 billion.

China has a lot of exposure to the Start-up Industry in India with investments in prominent start-up companies of India like Swiggy, Zomato, BigBasket, Byju's, Ola, Paytm, Snapdeal and Flipkart to name a few. 60% of Indian Unicorns are Chinese funded. China also has a huge stake in India's pharmaceutical business which is the third largest in the world by volume as it provides 66% of India's chemicals and Active Pharmaceutical Ingredients.

Political Relations: Increasing border skirmishes and acts of aggression and standoffs by the Chinese government have soured political relations with the country and have also led to a growing tide of protectionism in the country and across the globe. After the Indo-Sino war in 1962 talks for only initiated after a decade of silence. China seemed to be focusing on its own economic development which it has evidently achieved by being the second largest economy in the globe. After achieving such prowess, it seems to be reigniting earlier border troubles to assert global dominance. The clear economic dependency India has on China is a clear sign of trouble amid rising tensions owing to the Doklam standoff in 2017 and more recently the Galwan valley attack in 2020. These situations are clear acts of aggression from China probably because they wish to add obstacles to the growth story of India and also distract its own people with the poor handling of the Corona virus by spreading propaganda against India. Although China is clearly more economically dominant than India, our country's military strength is something that shouldn't be taken lightly which is also coupled with the strategic advantage of the locations controlled by our border forces.

Trade with USA

Business and Trade relations: India runs a Trade surplus with the United States of America of about 23 billion dollars and at the same time USA is second on India's list of imports after China. USA accounts for close to 8% of India's import bill. India imports oil, precious metals including gold and diamonds and other civil and aircraft machinery. On the other hand, USA imports medicines, precious metals and petroleum products which is actually India's most exported commodity. Trade between the two countries reached close to 145 billion dollars in 2019 with a goods trade deficit of 23 billion dollars. At the rate at which trade with US has been growing (7.5%), bilateral trade could touch upwards of 300 billion dollars by 2025. India is currently 11th on USA's list of trade deficits it runs with countries across the globe which is an improvement from the 10th position it held earlier. USA recently withdrew the beneficiary status that India held under the US Generalised system of Preferences. India was one of the largest beneficiaries of this system as it allowed the duty-free export of close to 6 billion dollars' worth of exports to the US. This was done so as US felt that India had not provided an equitable access to India's markets. Steel and Aluminium was also a cause of concern for the US government and India relations as US imposed high tariffs on Steel and Aluminium imports which affected India. In retaliation, India targeted the US dairy and farm market by imposing higher tariffs on almonds and pulses. Apart from these minor setbacks there still seems to be an atmosphere of positivity in terms of relations between the two countries.

Political Relations: US plays a very important role in the growth story of India and in its quest to become self-reliant as it realises its dependency on China regarding various sectors. US has been a strong supporter of India against the growing dominance of China. But with the upcoming US elections we must look beyond the Trump-Modi friendship that's in the limelight. Recent policy actions by the Trump government against the Indian government are aggressive in nature with increasing tariffs and removal of trade preferences. But Trump shares India's vision of China as a common enemy so to say. But during the Obama government Biden really valued India-US relations and this could be beneficial if the Democratic Party were to win the elections in 2020.

Trade with Middle East- UAE, Saudi Arabia, Iraq, Iran

Business and Trade relations: Crude oil is the major import from the Middle East countries including Iraq, Saudi Arabia and UAE. With Iraq being the largest source for India followed closely by Saudi Arabia and UAE being a distant third. Iran was initially third on the list but due to recent Iran sanctions by the US government, India has reduced its imports from Iran. These three countries account to 40% of India's imports of crude oil. Saudi Arabia recently toppled Iraq to gain the top spot recently. UAE is the third largest trade partner to India after the US. Of the 120 billion dollars' worth of crude oil imports Iraq and Saudi Arabia accounted for 22 billion dollars each and Iraq and UAE were close to 10 billion dollars each.

Political Relations: Political and diplomatic relations between all three major oil import sources are strong and positive in nature. Even with the recent CAA controversy, which was allegedly against the Muslim population, these Muslim majority nations did not raise any objection against the Indian government and also actively helps India to extradite terrorism accused people to India. Iran and India trade relations had certain obstacles due to the US sanctions imposed regarding the US-Iran nuclear deal. US instructed countries to reduce it soil imports from Iran and consequently India started importing more oil from USA and reduced imports from Iran in accordance with the sanctions. India enjoys a comprehensive and strategic relation in the middle east and India is considered an important ally as well for Iraq, Saudi Arabia and the UAE. India was recently invited to the Organisation of Islamic Cooperation much to Pakistan's dismay. Thus, enjoying strong relations with the countries that provide India with its energy requirements are of the utmost importance and India too is considered as an extremely important ally and market due to its potential and growing dominance in the Global economy.

CONCLUSION

The aim of this paper was to determine and analyse which sectors are heavily dependent on imports while also observing the bilateral trade and political relations that India has with the countries that provide India with key imports. We can clearly see the dependence India has on China for many major commodities and products which is a cause for major concern considering the deteriorating political and diplomatic relations between the two countries. The recent stand offs between the two countries have sparked calls for self-reliance within India. Although commodities like Crude Oil and Gold are majorly imported from other countries, the Trade deficit that India runs with China is extremely high due to the other sectors, and it needs to be cut down gradually. Business and Political relations were analysed between India and its three major trading partners being China, USA and the Middle East. Apart from China, India enjoys cordial relations with its trading partners with recent hiccups between US-India trade relations being close to getting resolved. After we conducted the Chi-square test (to see if there had been a significant change in the proportion of the goods imported from 2018 to 2019), our results showed that Gold had the greatest proportion change which shows that our relations with China are not our only cause of concern.

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