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Redefining Trade Relations: The Effect of Atmanirbhar Bharat on India's Imports and Exports with China

Arvind Kumar Yadav[a], Nitin Kumar[b]*
[a]Faculty of Commerce, M.K.R. Government College, Ghaziabad, U.P., India
[b]Department of Commerce, KMGGPGC, Badalpur, G.B. Nagar, U.P., India
E-mail: arvind3510@gmail.com[a], sunny.rock9174@gmail.com[b]

Abstract
This research explores the impact of India's Atmanirbhar Bharat (Self-Reliant India) policy on its trade relations with China, emphasising their role in global supply chains. It analyses changes in trade patterns, import dependency, export results, and sectoral shifts since the policy's 2020 implementation. By combining quantitative data with qualitative evaluations, the study reveals that the Atmanirbhar Bharat initiative has introduced strategic measures for import substitution, supply chain diversification, and domestic industry support, focusing on enhancing local manufacturing, technological innovation, and entrepreneurship. The study highlights India's structural trade imbalances with China, driven by its significant demand for intermediate goods and capital equipment crucial for manufacturing. This dependence poses challenges to India's self-reliance and complicates trade relations in a globalised economy. The paper offers policy recommendations to enhance trade resilience and competitiveness against Chinese imports, including investing in infrastructure, promoting research and development, and forming strategic international partnerships to mitigate trade imbalances and support sustainable growth.

Key Words: *Atmanirbhar Bharat, India–China Trade Relations, Bilateral Trade, Trade Balance, Trade Deficit and Self-Reliance Policy.*

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**Corresponding Author*
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1. INTRODUCTION

The global economy has undergone a profound transformation towards self-reliance, as nations critically assess their supply chain vulnerabilities—an urgent realisation underscored by the widespread disruptions stemming from the COVID-19 pandemic. In response to these pressing challenges, the Government of India launched the Atmanirbhar Bharat initiative in May 2020. This ambitious program is designed to cultivate an ecosystem of domestic production while significantly reducing reliance on imports across vital sectors of the economy. The initiative is particularly crucial in the context of India's trade relationship with China, which stands as India's largest trading partner. China not only accounts for a substantial portion of India's imports but also serves as a key provider of essential intermediate goods necessary for various industries. Consequently, it is imperative to delve into the ramifications of the Atmanirbhar Bharat initiative on India's trade dynamics. This exploration aims to reveal how the initiative has reshaped patterns of imports from China and exports to it, providing valuable insights into the broader implications for India's economic independence, industrial growth, and overall resilience in a rapidly evolving global landscape.

2. OBJECTIVES OF RESEARCH

- Evaluate changes in trade volumes between India and China before and after the launch of Atmanirbhar Bharat.
- Identify sectors most affected by shifts in import dependence.
- Examine export performance from India to China in the context of self-reliance strategies.
- Assess policy measures under Atmanirbhar Bharat designed to reconfigure trade relations.

3. LITERATURE REVIEW

Several studies have attempted to examine the nature and dynamics of India–China bilateral trade using various analytical indices to understand the extent and pattern of trade relations between the two countries. One of the most widely used measures, Trade Intensity (TI), was first popularised by Brown (1949) and later by Kojima (1962). The Trade Intensity Index evaluates bilateral trade flows between two countries in relation to their share in total world trade. Building on this framework, Kim (2002) and Chandran (2010) analysed bilateral trade intensity and revealed comparative advantage between India and ASEAN+3 countries (China, Japan, and Korea), highlighting varying degrees of trade dependence and competitiveness.

Further contributions to Indo-Chinese trade analysis were made by **Bhat, Guha, and Paul (2006)**, who provided a detailed assessment of bilateral trade trends.

Bhattacharya et al. (2007) examined the gains and losses in India–China trade using the gravity model, where bilateral trade was treated as the dependent variable, and factors such as GNP, per capita income, geographical distance, tariff rates, real effective exchange rate, and country-specific effects were considered independent variables. Their findings suggested that a Free Trade Agreement (FTA) would favour China in the short run and be unfavorable for India due to India's relatively high tariff regime; however, in the long run, India could gain more once tariff levels are reduced to match those of China.

Edmonds et al. (2010) studied China's trade relationships with 182 countries during 1998–2005 using Trade Intensity and Gravity Model–Adjusted Trade Intensity (GMATI). The results revealed lower trade intensity between China and the East and South Asian (ESA) region, while trade intensity was significantly higher with the United States and the European Union. The study also found a steady increase in China's trade intensity with African nations over time.

Wani and Dhami (2013), in their study titled "Indo-China Trade: Intensity and Potential for Future Trade", explored how bilateral trade contributes to strengthening the partnership between India and China. Their analysis of trade growth trends indicated substantial untapped potential, closely linked with political and diplomatic developments between the two countries. **Radha Raghuramapatruni (2014)** analysed India–China trade patterns with special emphasis on the service sector, employing the Trade Intensity Index (TII), Modified Trade Intensity Index (T'II), and Revealed Comparative Advantage (RCA) Index. The findings indicated that India recorded higher TII and T'II values, reflecting greater dependence on China as a trading partner, whereas China showed lower dependence on India. The RCA results revealed that out of 12 service categories analysed, five had strong trade potential between the two nations.

Kumari and Malhotra (2014), in their comparative study "Trade-Led Growth in India and China", examined the impact of export-import growth on economic development. The study concluded that China outperformed India due to faster reforms, effective policy implementation, and differences in political governance structures.

Paswan (2021) examines India–China bilateral trade using empirical tools such as the Trade Intensity Index (TII) and Trade Reciprocity Index (TRI) for the period 2008–2017. The study analyses trade trends, growth patterns, and commodity composition through AGR and CAGR. Findings reveal a persistently asymmetric trade relationship, with India importing three to four times more from China than it exports. Key traded commodities include ores, cotton, copper, organic chemicals, and electrical machinery. Both TII and TRI indicate a growing trade imbalance, highlighting the unfavorable balance of trade for India and the need for strategic reforms in export and import policies.

4. RESEARCH METHODOLOGY

This study uses a descriptive and analytical research design to evaluate the impact of the Atmanirbhar Bharat Abhiyan on India's trade dynamics with China, focusing on imports and exports. It relies on secondary data from sources such as the Ministry of Commerce and Industry, the Reserve Bank of India, and reports from the World Bank and WTO, covering the period from 2015 to 2024. The aim is to identify trends and changes in trade composition before and after the initiative's implementation. The research employs statistical tools like percentage analysis and trend analysis to assess variations in trade volume, balance, and commodity groups, while also analysing policy documents to evaluate the effectiveness of self-reliance measures in transforming India-China trade relations.

5. ATMANIRBHAR BHARAT ABHIYAN: BUILDING A SELF-RELIANT INDIA (GOVERNMENT OF INDIA, 2020)

The Atmanirbhar Bharat Abhiyan, introduced by the Government of India in May 2020, constitutes a comprehensive policy initiative aimed at fostering a self-reliant yet globally

integrated Indian economy. Conceived in response to the unprecedented economic disruptions caused by the COVID-19 pandemic, the programme seeks to reduce excessive import dependence, strengthen domestic manufacturing capacity, and enhance the resilience of national supply chains. As emphasized by the Ministry of Finance (2020), the vision of Atmanirbhar Bharat does not advocate economic isolation; rather, it promotes self-reliance that is firmly embedded within global value chains.

The initiative is guided by the philosophy of "Vocal for Local," which encourages domestic production and consumption while simultaneously improving the quality, efficiency, and global competitiveness of Indian goods. The pandemic exposed several structural vulnerabilities in the Indian economy—particularly dependence on imported medical equipment, electronic components, and pharmaceutical raw materials—highlighting the urgent need for strategic policy intervention.

5.1. Core Pillars of Atmanirbhar Bharat

The Atmanirbhar Bharat framework is built upon five interrelated pillars:

- **Economy:** Envisioning a transformative leap in economic growth rather than incremental progress.
- **Infrastructure:** Developing world-class infrastructure to serve as the foundation of economic expansion.
- **System:** Reforming governance mechanisms to be transparent, efficient, and technology-driven.
- **Demography:** Harnessing India's large and youthful population as a key driver of growth.
- **Demand:** Strengthening domestic demand and supply chains to sustain long-term economic stability.

Collectively, these pillars aim to enhance productivity, address structural inefficiencies, and support inclusive and sustainable economic development.

5.2. Policy Measures and Economic Reforms

According to the Ministry of Finance (2020), the Atmanirbhar Bharat Abhiyan introduced a broad range of structural reforms and fiscal support measures, including:

- Production Linked Incentive (PLI) schemes to promote domestic manufacturing in strategic sectors such as electronics, pharmaceuticals, automobiles, and telecommunications.
- Targeted support for MSMEs through collateral-free credit, equity infusion, and revised classification norms to improve scalability and competitiveness.
- Trade and investment reforms, including rationalised FDI policies and sector-specific incentives.
- Import substitution strategies focusing on critical sectors with high import dependence.

These measures were designed not only to provide short-term economic relief but also to position India as a competitive manufacturing and export-oriented economy over the long term.

5.3. Atnanirbhar Bharat and Foreign Trade

In the sphere of foreign trade, Atmanirbhar Bharat signifies a strategic reorientation of India's trade policy. The initiative seeks to reduce excessive reliance on imports—particularly from a limited number of dominant trading partners—while encouraging export diversification and domestic value addition. This approach is especially significant in the context of India–China trade relations, where sustained imports of intermediate and capital goods have contributed to a persistent trade imbalance.

Importantly, the policy does not endorse blanket protectionism. Instead, it advocates strategic self-reliance, permitting essential imports where necessary while gradually building domestic capabilities. The Government of India (2020) underscores that continued engagement with global markets remains vital, albeit on more balanced and resilient terms.

5.4. Significance of the Policy

The Atmanirbhar Bharat Abhiyan marks a decisive shift from conventional trade liberalisation towards a development-oriented industrial and trade strategy. By aligning domestic capacity building with global competitiveness, the initiative aims to ensure sustainable economic growth, enhance economic security, and reduce vulnerability to external shocks. Overall, Atmanirbhar Bharat represents a long-term vision for restructuring India's economic framework while redefining its engagement with the global economy.

6. Overview of India–China Bilateral Trade (2021–2025)

Bilateral trade refers to the total value of goods and services exchanged between two countries over a specific period. During 2021–2025, India–China bilateral trade expanded significantly in overall volume, reflecting strong economic interlinkages despite geopolitical and strategic tensions. China has remained one of India's largest trading partners, particularly as a source of imports. However, this growing trade relationship has been marked by a persistent and widening trade imbalance, with India running a substantial trade deficit throughout the period.

India's imports from China—primarily electronics, electrical machinery, mechanical equipment, chemicals, pharmaceuticals, intermediates, and capital goods—have consistently outpaced its exports. In contrast, India's exports to China have remained relatively limited and concentrated in a narrow range of products such as mineral ores, petroleum products, organic chemicals, marine products, and certain agricultural commodities. While there were brief periods of export recovery, especially after the post-pandemic rebound, these gains were insufficient to offset the rapid growth of imports.

As a result, the trade deficit widened sharply between 2021 and 2025, reaching historically high levels by the end of the period. This imbalance highlights India's continued dependence on Chinese intermediate and high-technology goods, which are critical inputs for domestic manufacturing and infrastructure development. Overall, the 2021–2025 phase underscores a paradox in India–China trade relations: rising trade volumes alongside increasing asymmetry, raising economic and policy concerns for India regarding supply-chain dependence, domestic manufacturing competitiveness, and long-term trade sustainability.

6.1. India–China Bilateral Trade (2021–2025)

Year	India's Export to China	India's Import from China	Trade Balance (India)	Key Export Items	Key Import Items
2021	~$21.2B	~$87.5B	-$66.3B	Iron ore, cotton, chemicals	Electronics, machinery, telecom equipment
2022	~$17.5B	~$94.7B	-$77.2B	Petroleum products, ores	Electronics, chemicals, machinery
2023	~$15.3B	~$101.7B	-$86.4B	Iron ore, organic chemicals	Mobile phones, electrical machinery
2024	~$16.6B	~$123B	-$106.4B	Iron ore ($2.67B), petroleum	Telephones ($10.4B), electronics, machinery
2025 (YTD)	~$2.2B (Nov 2025)	~$10.3B (Nov 2025)	-$8.08B (monthly)	Petroleum, engineering goods	Electronics, telecom, chemicals

6.2. Year-wise Analysis of Bilateral Trade

I. Trade Performance in 2021

In 2021, India's exports to China were approximately US$21.2 billion, while imports stood at around US$87.5 billion, resulting in a trade deficit of US$66.3 billion. India's exports were dominated by iron ore, cotton, and chemicals, indicating a reliance on raw materials and low-to-medium value-added goods. In contrast, imports from China largely comprised electronics, machinery, and telecom equipment, highlighting India's dependence on China for high-technology and capital-intensive products. This year marked the beginning of a widening imbalance as post-pandemic demand recovery boosted imports faster than exports.

II. Trade Performance in 2022

In 2022, India's exports declined to approximately US$17.5 billion, while imports rose to US$94.7 billion, expanding the trade deficit to US$77.2 billion. The export basket shifted slightly toward petroleum products and ores, but remained narrow in scope. Imports continued to be dominated by electronics, chemicals, and machinery, reflecting growing demand from India's manufacturing and infrastructure sectors. The decline in exports alongside rising imports intensified India's trade imbalance with China.

III. Trade Performance in 2023

The year 2023 witnessed a further deterioration in India's trade position. Exports fell to about US$15.3 billion, while imports increased significantly to US$101.7 billion, resulting in a trade deficit of US$86.4 billion. India's key export items included iron ore and organic chemicals, once

again underscoring the limited diversification of exports. Imports were led by mobile phones and electrical machinery, indicating China's strong position in supplying finished electronic goods and advanced manufacturing inputs to India.

IV. Trade Performance in 2024

In 2024, India's exports showed a modest recovery to US$16.6 billion, but imports surged sharply to around US$123 billion, causing the trade deficit to widen dramatically to US$106.4 billion. Iron ore exports alone accounted for US$2.67 billion, alongside petroleum products. On the import side, telephones (US$10.4 billion), electronics, and machinery dominated the trade basket. This year marked the highest recorded trade deficit in the period under study, emphasizing the deepening asymmetry in bilateral trade.

V. Trade Performance in 2025 (Year-to-Date)

For 2025 (Year-to-Date up to November), India's exports to China stood at approximately US$2.2 billion, while imports were about US$10.3 billion, resulting in a monthly trade deficit of US$8.08 billion. Export items mainly included petroleum products and engineering goods, suggesting a gradual attempt at diversification. Imports continued to be concentrated in electronics, telecom equipment, and chemicals. Although these figures are partial, they indicate that the trade imbalance persists even in the short-term monthly data.

6.3. Composition of Trade

I. Export Structure

India's exports to China during 2021–2025 were largely concentrated in:

- Iron ore and other ores
- Petroleum products
- Cotton
- Organic and inorganic chemicals
- Engineering goods (limited share)

These exports are primarily raw materials or low-value-added products, making India vulnerable to price volatility and demand fluctuations.

II. Import Structure

India's imports from China were dominated by:

- Electronics and electrical machinery
- Mobile phones and telecom equipment
- Mechanical machinery
- Chemicals and intermediates

These imports are largely high-value, technology-intensive goods, which are critical inputs for India's manufacturing, telecom, and digital economy.

III. Trade Balance Trends

From 2021 to 2024, India's trade deficit with China expanded from US$66.3 billion to US$106.4 billion, reflecting:

[i] Faster growth in imports compared to exports;

[ii] Limited diversification and value addition in Indian exports;

[iii] Strong dependence on Chinese electronics and capital goods.

The 2025 YTD data suggest that the imbalance remains entrenched, even though exports show marginal diversification.

IV. Key Issues and Challenges

[i] **Persistent Trade Deficit**: India consistently records a large and growing trade deficit with China.

[ii] **Export Concentration**: India's exports remain narrow and commodity-based.

[iii] **Import Dependence**: Heavy reliance on Chinese electronics, telecom, and machinery exposes India to supply-chain risks.

[iv] **Value Addition Gap**: India exports low-value goods while importing high-value manufactured products.

7. Conclusion

The Atmanirbhar Bharat initiative has significantly influenced India's trade relations with China by promoting domestic manufacturing, encouraging import substitution, and diversifying supply chains. While it has helped curb import growth in sectors like textiles and electronics and boosted exports in pharmaceuticals and chemicals, India still faces a substantial trade deficit with China due to reliance on imports, especially of intermediate and capital goods. The journey toward self-reliance is complex and requires robust policy support, technological advancements, and infrastructure development. Atmanirbhar Bharat aims to enhance trade resilience while balancing engagement with China. Although domestic capacity building is underway, realigning trade relations necessitates sustained reforms and international collaboration. From 2021 to 2025, trade volumes have increased, but so has the trade deficit, indicating an imbalance favouring China. To address this, India needs to diversify exports, strengthen manufacturing, and implement targeted trade policies, promoting a more equitable trading relationship aligned with self-reliance and economic resilience objectives.

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