Section 5 Trade and investment relations of the ROK, ASEAN and India

The Asian trade and investment structures have changed considerably especially because of the development of the manufacturing industry in and the expansion of exports from China since the 2000s, the U.S.-China trade conflict and China's policies that worked to shrink trade with and investment in China since the middle of the 2010s, and the structural underconsumption that has emerged amid China's economic stagnation in recent years. The ROK, which is geographically at the frontlines of the U.S.-China trade conflict, is wavering between the United States and China also in terms of trade and investment relationship. ASEAN countries have generally stuck to the attitude of omni-directional openness, including toward the United States and China, and achieved economic growth through the deepening of cross-border supply chains. While India has restricted imports and investments from China under protectionist trade and industrial policies and achieved a certain level of growth as an alternative investment destination to China and as a business base for digital-related industries, it is facing difficulties in developing the domestic manufacturing industry. At the same time, dependence on specific countries for imports of a broad range of items has become apparent as a common challenge for Asian countries.

This section will analyze how Asian countries are managing their trade and investment relationships with China and the United States based on data and look at an overview of changes in the Asian trade and investment trade structures by examining those Asian countries' dependence on specific countries for imports.

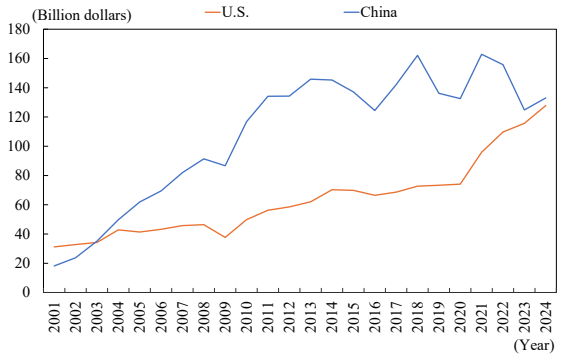
1. ROK wavering between the United States and China

(1) Trade

After recording trade surpluses with China for many years, the ROK fell into deficit in 2023 and suffered the second straight year of deficit in 2024, although the deficit size shrank. On the other hand, in trade with the United States, the ROK has continued to rewrite a record high surplus.

As for exports from the ROK to the United States and China, China is the largest export destination for the ROK but the growth in exports to China has come to a halt. On the other hand, since 2021, exports to the United States have increased steeply, and recently the values of exports to the United States and China have been at similar levels (Figure II-2-5-1).

Figure II-2-5-1. Changes in ROK's exports to the U.S. and China



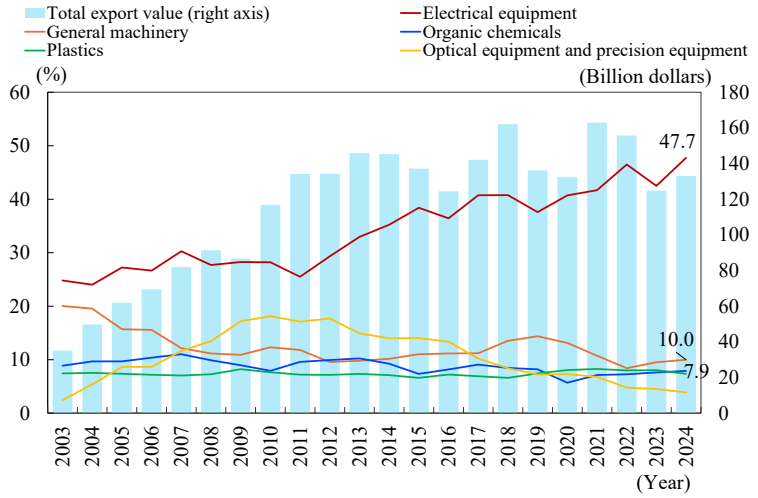
Source: Global Trade Atlas.

Since the Asian currency crisis in 1997, the ROK has achieved industrial development while enjoying the benefits of China's rapid economic growth. The ROK's major industries, including semiconductors, displays, automobiles, shipbuilding, chemicals and steel, have expanded in size in line with increases in exports to China.[269] However, the growth in exports to China started to weaken from around 2013. In 2023, the value of exports to China declined steeply, by 19.9%, compared with the previous year. Although exports to China resumed growing in 2024 due to a recovery in semiconductor exports, the growth was moderate, 6.6%.

By export item, electrical equipment accounted for nearly half, or 47.7%, of overall exports to China, and the share was growing as a trend (2024) (Figure II-2-5-2). In particular, integrated circuits made up the largest portion, more than 30%, followed by general machinery and organic chemicals.

While the export trend is affected by the semiconductor market conditions, one structural problem cited as a factor of the stagnant exports to China is a decline in demand for intermediate goods made in the ROK due to the improvement of Chinese enterprises' competitiveness.[270] When we look at the share of value added created in the ROK in exports from China (regarding the whole of the manufacturing industry and electronic equipment) from the viewpoint of the supply of intermediate goods, an uptrend can be observed especially for electronic equipment until 2007, followed first by a temporary decline and then by sideway moves. Since 2018, the share has been on a downtrend (Figure II-2-5-3).

Figure II-2-5-2. Changes in shares of the ROK's major export items to China (2-digit HS code)

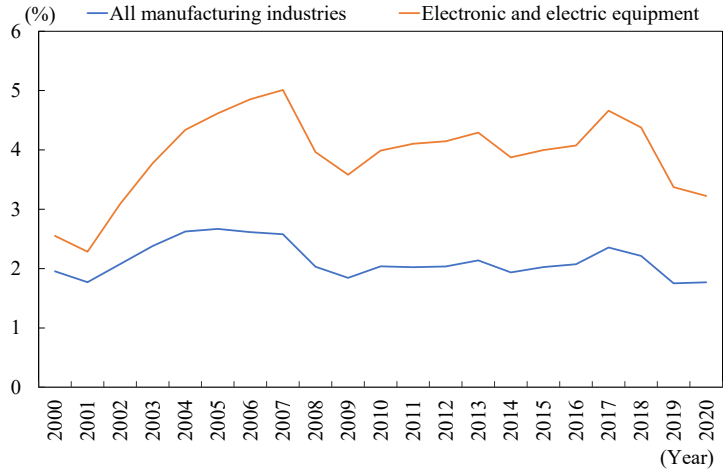


Source: Global Trade Atlas.

269 Ijuin and Japan Center for Economic Research (eds.) (2024)

270 JETRO, "KANKOKU NO BOUEKI WA TENKANTEN, TAICHUU/TAIBEI YUSHUTSU WA KIKKOU E, TAICHUU BOUEKI SHUUSHI WA AKAJI NI," February 20, 2024, https://www.jetro.go.jp/biz/areareports/2024/e19c0e82d604d739.html (as viewed on March 31,2025)

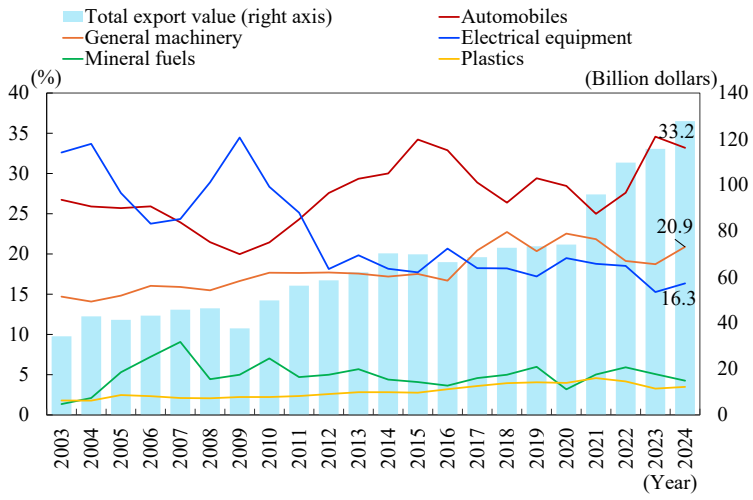
Figure II-2-5-3. Changes in shares of value added in the ROK in exports from China



Source: TiVA (OECD).

On the other hand, exports to the United States have increased steeply since 2021. By export item, automobiles and related products accounted for around a third, or 33.2%, of overall exports to the United States, and the share has increased sharply in recent years. General machinery and electrical equipment followed with shares of 20.9% and 16.3%, respectively (2024) (Figure II-2-5-4). More specifically, the shares of passenger vehicles and storage batteries increased steeply compared with 2020. The increase in exports of automobiles including EVs, and automotive batteries, is a major factor of the expansion of exports to the United States.

Figure II-2-5-4. Changes in shares of the ROK's major export items to the U.S. (2-digit HS code)

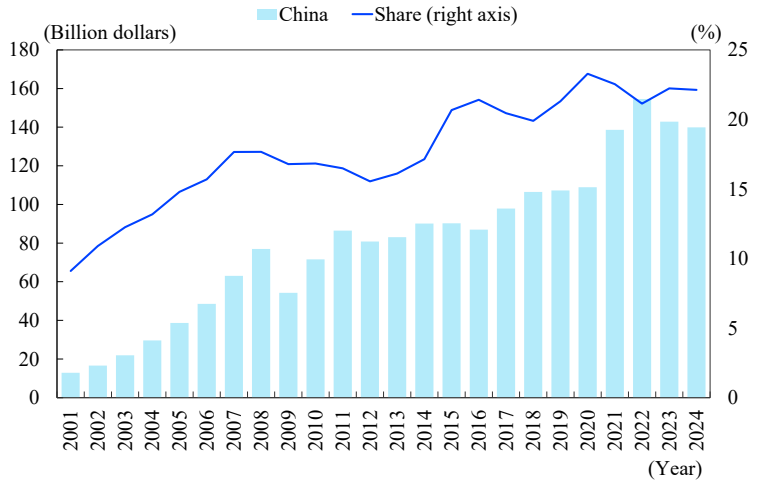


Source: Global Trade Atlas.

Next, let us look at imports from China. Since 2007, China has been the largest import source country for the ROK. In 2021 and 2022, the value of imports increased steeply and has remained high since then. The share of imports from China in overall imports has also been rising in the medium to long term, coming to 22.1% in 2024 (Figure II-2-5-5).

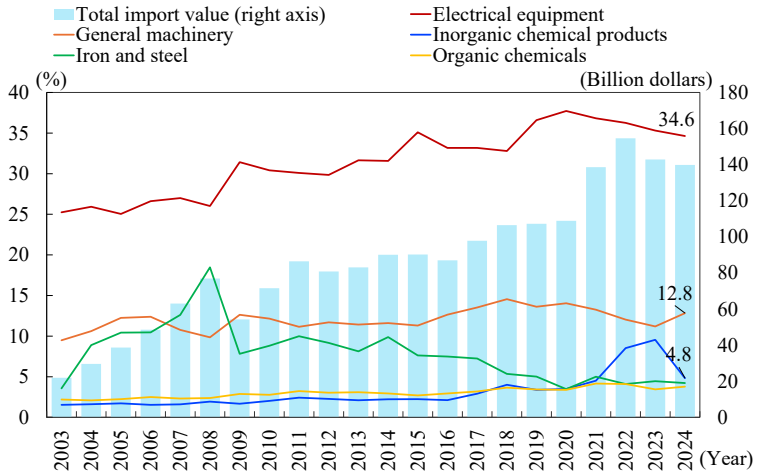
By import item, as in the case of exports, electrical equipment, mainly integrated circuits, accounted for the largest share, or 34.6%, of overall imports from China, followed by general machinery with 12.8% and inorganic chemicals with 4.8% (2024) (Figure II-2-5-6). Integrated circuits, the largest import item among electrical equipment, accounted for 13.8% of overall imports, while the share of storage batteries has increased considerably since around 2018. As for inorganic chemicals, the share of materials for lithium-ion batteries (HS2825), such as lithium hydroxide and nickel-cobalt-manganese composite hydroxide, has increased considerably. It may be said that an increase in imports of products related to automotive batteries is a factor of the expansion of imports from China.

Figure II-2-5-5. Changes in imports by the ROK from China



Source: Global Trade Atlas.

Figure II-2-5-6. Changes in shares of the ROK's major import items from China (2-digit HS code)



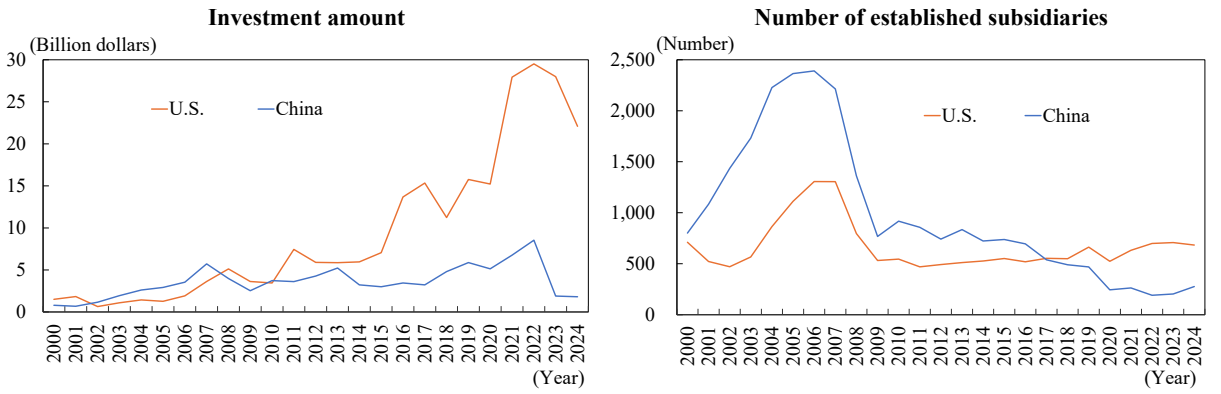
Source: Global Trade Atlas.

(2) Investment

Next, we will look at FDIs in the United States and China from the ROK. Starting in the 2000s, ROK companies expanded FDIs in China, but the value of FDIs in China from the ROK has remained almost flat since 2007. Although the value of FDIs increased in 2021 and 2022 due to some specific large-scale investment projects, the value was very small in 2023 and 2024. The number of subsidiaries established in China rose steeply in the 2000s, but after the growth subsided by 2009, the number mostly remained flat. Since 2017, a downtrend has become stronger (Figure II-2-5-7). Among the factors cited for the stagnant investment are the deterioration of the China-ROK relationship due to the deployment of the Terminal High Altitude Area Defense (THAAD) missile defense system in the ROK in 2016 and constraints imposed on production in China due to the strengthening of U.S. export controls against China, a rise in the local manufacturing cost and intensified competition with Chinese enterprises.[271] There have been a scattering of cases of shrinkage of business operations in China or withdrawal from the Chinese market by major ROK companies, including the end of smartphone production in China by Samsung following relocation to Viet Nam and the selloff of a Chinese factory by Hyundai Motor.

On the other hand, FDIs in the United States have followed an uptrend since the 2010s, and in 2021 in particular, the value of FDIs rose steeply and has remained high since then (Figure II-2-5-7). This trend reflects moves by semiconductor manufacturers and automotive battery manufacturers to establish more and more large-scale U.S. production bases in response to the CHIPS Act and the Inflation Reduction Act (IRA) of the United States.

Figure II-2-5-7. Changes in FDIs in the U.S. and China from the ROK

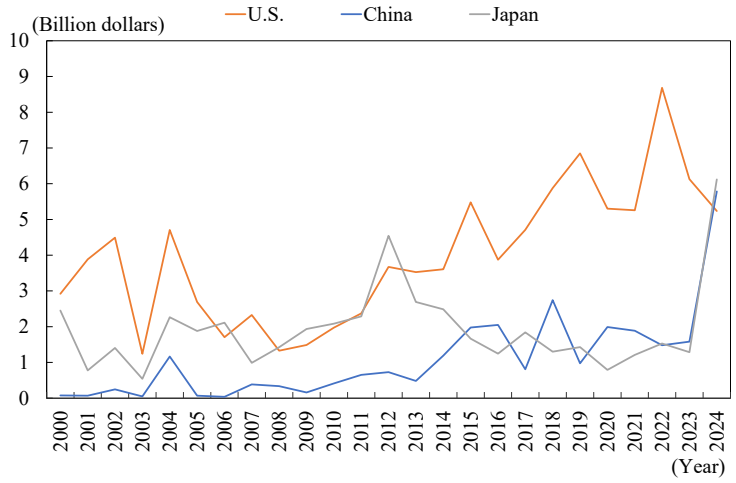


Source: The Export-Import Bank of Korea.

As for inward FDIs in the ROK, as a medium- to long-term trend, investments from the United States have increased since the second half of the 2000s (Figure II-2-5-8). Investments from China started to increase in the early 2010s, but the growth in investments weakened in the middle of the 2010s and later. In the most recent year, 2024, investments from China increased steeply.

[271] JETRO, "KANKOKU KIGYOU NO KAIGAI SHINSHUTSU SAKI WA CHUUGOKU KARA BEIKOKU NI OOKIKU SHIFUTO," September 25, 2024, https://www.jetro.go.jp/biz/areareports/special/2025/0101/6dea6fc9bf76e166.html (as viewed on March 31, 2025)

Figure II-2-5-8. Changes in inward FDIs in the ROK



Note: Declaration basis.

Sources: Ministry of Trade, Industry and Energy of the ROK, CEIC.

As described above, in the 2020s, the increases in exports to and FDI in the United States from the ROK have been conspicuous. This trend, coupled with the increase in FDIs from the United States, indicates a shift in export and investment to the United States. On the other hand, while exports to and FDIs in China from the ROK remained flat or trended downward, imports of intermediate goods from China expanded. In particular, it is noteworthy that while exports of storage batteries to the United States increased, imports of battery materials from China increased and cases of FDIs from China were also observed. As for the future of the trade and investment relationships with the United States, attention should be paid to the possibility that the relationships could be affected by the future course of the U.S.-China conflict and by how the U.S. tariff and industrial policies will evolve.

2. ASEAN sticking to the policy of omni-directional openness

In the ASEAN region, the presence of China in trade and investment is gradually expanding. At the same time, there are ongoing moves by Chinese and other foreign enterprises to relocate manufacturing bases from China to ASEAN countries against the backdrop of the U.S.-China conflict. Due to the effects of those moves, exports from the ASEAN region to the United States are increasing at an accelerating pace.

(1) Trade

First, let us look at the trends in the entire ASEAN region's trade with the United States and China. For ASEAN, China is the largest trading partner country, accounting for 15.9% of the total value of exports from the region and 23.9% of the total value of imports into the region in 2023 (Table II-2-5-9). China's shares in both exports and imports have been on an uptrend, but in recent years in particular, China's share in imports has increased, resulting in the expansion of ASEAN's trade deficit with China. Meanwhile, the United States' share in exports from ASEAN has been on an uptrend since 2011, and ASEAN's trade surplus with the United States has been expanding due to the increase in exports (Figure II-2-5-10).

From China's point of view, ASEAN accounted for 16.4% of the total value of exports and 15.3% of the total value of imports, meaning that the region is the largest trading partner for China.

Table II-2-5-9. ASEAN's trade and investment relationships with Japan, the U.S., and China

(%)

Share		ASEAN	Indonesia	Thailand	Philippines	Malaysia	Viet Nam	Singapore
Exports	Exports for the U.S.	14.9	9.9	18.3	16.5	13.2	29.5	8.5
	Exports for China	15.9	23.6	11.7	12.9	12.5	15.1	14.0
	Exports for Japan	6.7	7.8	7.8	14.0	5.5	6.1	3.5
Imports	Imports from the U.S.	7.4	5.1	6.4	6.4	9.2	4.0	12.2
	Imports from China	23.9	31.1	26.2	25.8	21.6	37.9	12.4
	Imports from Japan	6.9	6.4	9.3	7.9	5.1	5.7	4.9
FDI flows (inward)	FDI from the U.S.	32.4	6.2	4.2	1.0	11.7	0.8	45.9
	FDI from China	7.5	13.5	24.0	0.4	11.0	12.4	4.5
	FDI from Japan	6.3	5.8	8.6	5.3	1.1	9.2	3.7

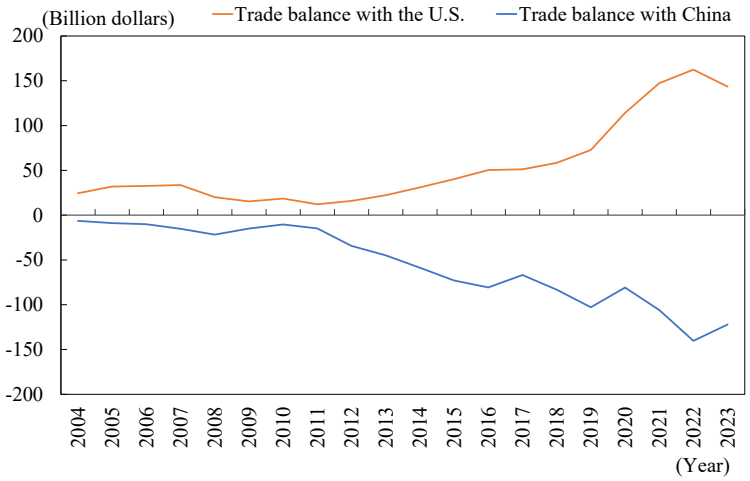
Notes:

[i] This table shows data for 2024. However, all data for ASEAN countries are those for 2023. Singapore's FDIs are based on the data for 2023, and Malaysia's FDIs solely relate to the data for the manufacturing industry.

[ii] The table shows the share of Japan, the U.S., and China in the exports, imports, and FDI flows (inward) by country and region arranged horizontally in a line. For example, the share of FDIs from the U.S. in the total FDI flows to ASEAN is 32.4%.

Sources: Global Trade Atlas, ASEAN stats, Statistics of target countries, CEIC.

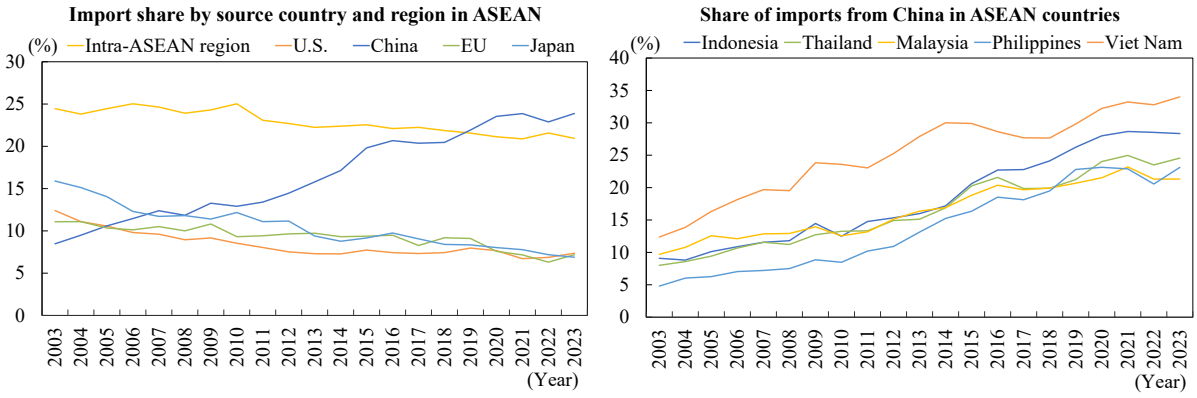
Figure II-2-5-10. Changes in trade balance with the U.S. and China in ASEAN



Sources: ASEAN Secretariat, CEIC.

Among import source countries and regions for the ASEAN region, China's share as an import source followed an uptrend over the past 20 years, exceeding the share of intra-regional imports in 2019. Regarding the five major ASEAN countries, China's share as an import source has been trending upward in all of those countries. In Viet Nam in particular, China's share has stayed high, above 30%, since 2020 (Figure II-2-5-11).

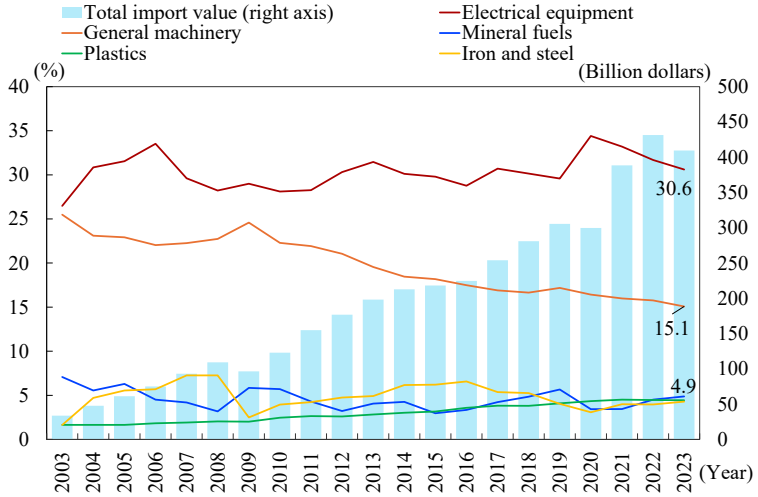
Figure II-2-5-11. Import share by source country and region in ASEAN and share of imports from China in ASEAN countries



Note: The EU refers to the EU28 up to 2019 and the EU27 from 2020 onward.
Source: ASEAN stats.

By import item in trade with China, electrical equipment is the largest import item, accounting for 30.6% of overall imports from that country, followed by general machinery with 15.1% and mineral fuels with 4.9% (2023) (Figure II-2-5-12). More specifically, industrial products, such as telephones, integrated circuits, automatic data processing machinery (e.g., personal computers), and semiconductor devices are among products with large shares (Table II-2-5-13).

Figure II-2-5-12. Changes in shares of ASEAN's major import items from China (2-digit HS code)



Source: ASEAN stats.

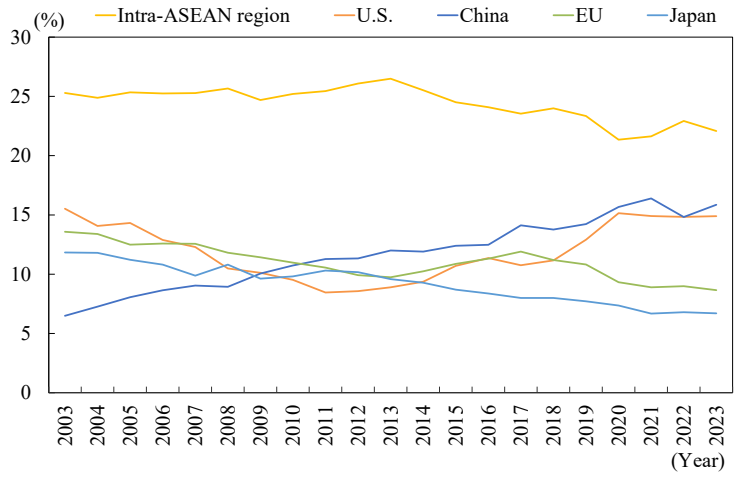
Table II-2-5-13. ASEAN's major import items from China (4-digit HS code; 2023)

HS code	Item	Import value (billion dollars)	Share (%)
8517	Telephones	28.7	7.0
8542	Integrated circuits	26.2	6.4
2710	Petroleum products	17.3	4.2
8471	Automated data processing machines	13.5	3.3
8541	Semiconductor devices	6.9	1.7
8504	Electric transformers, static converters, and inductors	5.9	1.4
8534	Printed circuits	5.8	1.4
8544	Insulation cables, optical fiber cables, etc.	5.3	1.3
7208	Flat rolled products of iron or non-alloyed steel (hot-rolled products with a width of 600 mm or more)	5.0	1.2
8536	Electrical apparatus for switching, protecting, or connecting electrical circuits	4.9	1.2
8524	Flat panel display modules	4.8	1.2
3818	Chemical elements doped for use in electronics, and chemical compounds doped for use in electronics	4.8	1.2
8473	Parts for computers, etc.	4.4	1.1
8507	Electric accumulators	4.4	1.1
8529	Aerials and aerial parts	4.3	1.0

Source: ASEAN stats.

Next, we will look at exports from ASEAN to the United States and China. Among export destination countries and regions for ASEAN, China's share surpassed the United States' share in 2010 and has continued to increase since then. The United States' share trended downward in the 2000s but has been rising since 2011, with the result that the shares of China and the United States have recently been similar in size (Figure II-2-5-14). As for individual ASEAN countries' exports to the United States and China, the United States' share as an export destination is large for Viet Nam and Thailand, while China's share is large for Indonesia (Table II-2-5-9).

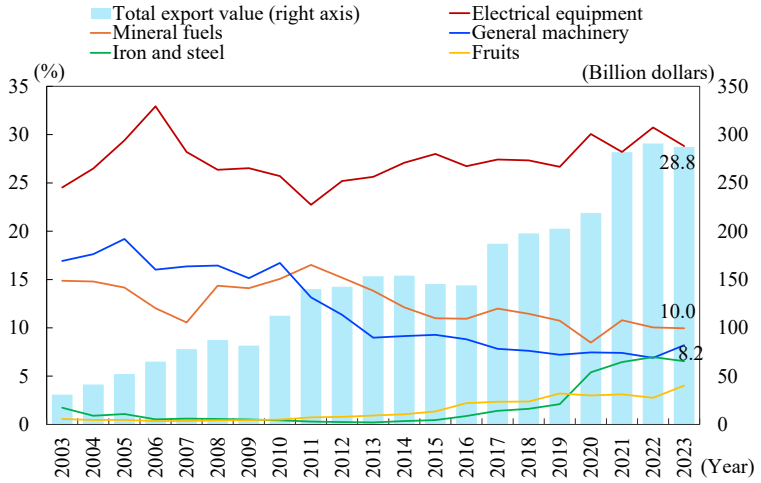
Figure II-2-5-14. Shares of export destination countries and regions in ASEAN



Note: The EU refers to the EU-28 up to 2019 and the EU27 from 2020 onward.
Source: ASEAN stats.

By export item in trade with China, as in the case of imports, electrical equipment is the largest item, accounting for 28.8% of overall exports to China, followed by mineral fuels with 10.0% and general machinery with 8.2% (2023) (Figure II-2-5-15). More specifically, integrated circuits are the largest export item, accounting for 14.7% of overall exports.

Figure II-2-5-15. Changes in shares of ASEAN's major export items to China (2-digit HS code)

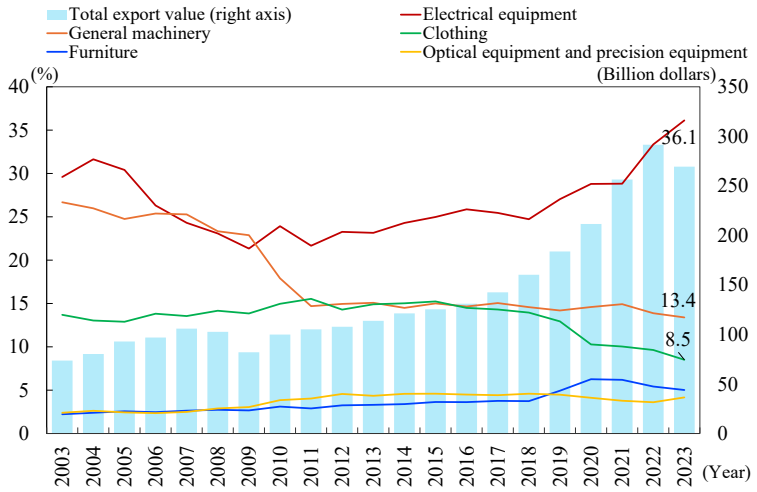


Source: ASEAN stats.

Exports to the United States have increased considerably since 2018. The value of exports in 2023 was 1.9 times as large as the value in 2017. By export item, electrical equipment was the largest export item, accounting for 36.1% of overall exports, followed by general machinery with 13.4% and clothing with 8.5% (Figure II-2-5-16). The share of electrical equipment has increased steeply in recent years. The export value of this item in 2023 was 2.7 times as large as the value in 2017. More specifically, telephones, semiconductor devices and integrated circuits were among major export items.

From the United States' point of view, since 2018, while the growth in imports from China has remained weak, imports from the ASEAN region, particularly from Viet Nam, have increased considerably, indicating the trade diversion effect of the U.S.-China trade conflict (Figure II-2-5-17). Imports from Viet Nam, mainly of telephones and automatic data processing machinery (e.g., personal computers), have expanded. The share of value added created in China in imports into the United States from ASEAN, particularly Viet Nam, has continuously been growing, indicating increases in the supply of intermediate goods from China for use in goods exported from the ASEAN countries to the United States (Figure II-2-5-18).

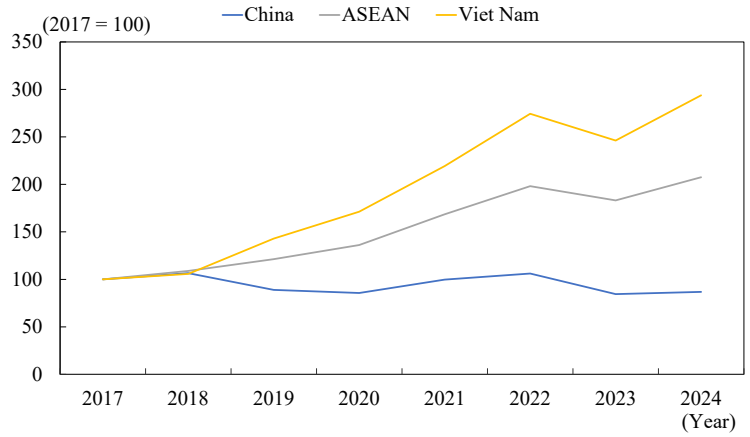
Figure II-2-5-16. Changes in shares of ASEAN's major export items to the U.S. (2-digit HS code)



Note: The data for clothing show the total of that classified in HS61 and HS62.

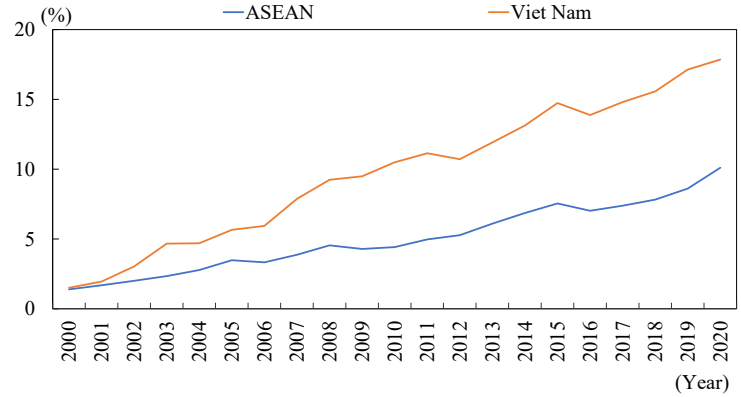
Source: ASEAN stats.

Figure II-2-5-17. Changes in imports to the U.S. (China, ASEAN, and Viet Nam)



Source: Global Trade Atlas.

Figure II-2-5-18. Changes in shares of value added created in China in imports from ASEAN and Viet Nam to the U.S.



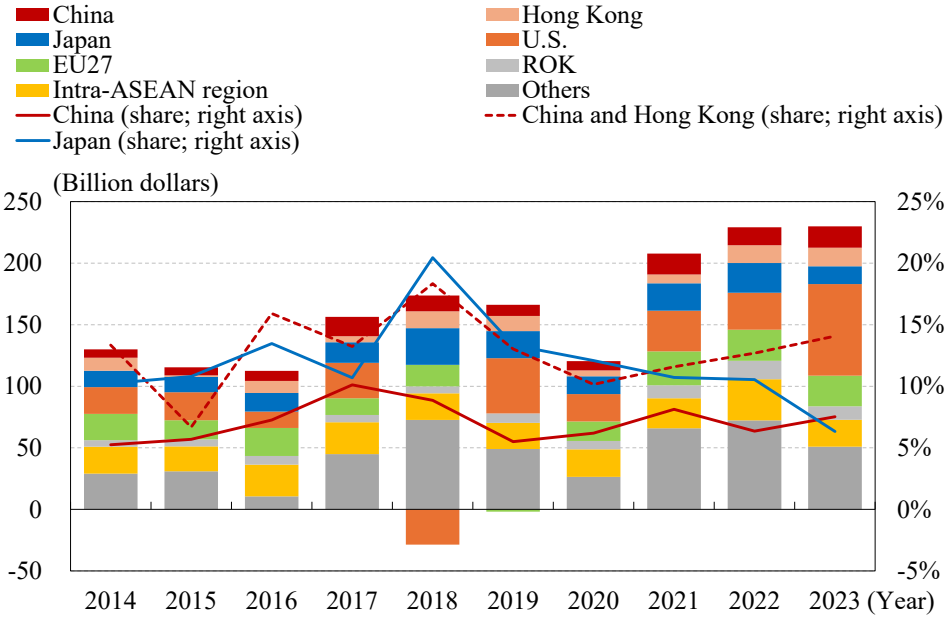
Source: TiVA (OECD).

(2) Investment

Next, we will look at FDIs in ASEAN countries. According to statistics prepared by ASEAN, FDIs in the entire ASEAN region have been increasing as a trend (Figure II-2-5-19). By investor country, the United States was the largest investor with a share of 32.4% in 2023, and China (7.5%) and Hong Kong (6.5%) had larger shares than Japan (6.3%). In recent years, Japan's share has been declining. Although Japan's share was similar to the combined share of China and Hong Kong until around 2020, it was less than half of the combined share in 2023.[272] In terms of the value of cumulative investments in the most recent 10-year period, from 2014 to 2023, the United States (16.3%), ASEAN region (intra-regional investments)[273] (14.8%), Japan (11.5%), the EU (11.3%), China (7.2%), and Hong Kong (5.8%) were among the major investor countries and regions (Table II-2-5-20).

Among the investment recipient countries, Singapore receives around 60% of overall FDIs in ASEAN every year. In terms of the value of cumulative investments in the most recent 10-year period, Singapore was the largest recipient country with a share of 59.5%, followed by Indonesia (12.1%) and Viet Nam (9.1%).

Figure II-2-5-19. Changes in FDI flows to ASEAN (by investor country and region)



Source: ASEAN stats.

[272] As mentioned earlier, a significant portion of investments from Hong Kong is presumed to be investments by Chinese enterprises and investors, so the trend in the combined value of investments from China and Hong Kong is indicated by the broken line as a reference.

[273] Around 60% of intra-ASEAN investments come from Singapore. Intra-ASEAN investments include investments made by multinationals via business bases in the ASEAN region.

Table II-2-5-20. Changes in FDIs to ASEAN (shares by investor country and region)

(%)

	2018	2019	2020	2021	2022	2023	2014-2023 cumulative share
Intra-ASEAN region	14.9	12.9	18.6	11.7	14.6	9.5	14.8
U.S.	-	27.3	18.4	15.9	13.1	32.4	16.3
EU27	12.1	-	13.2	13.3	11.1	10.8	11.3
China	8.9	5.5	6.2	8.1	6.4	7.5	7.2
Hong Kong	9.5	7.5	4.0	3.5	6.3	6.5	5.8
Japan	20.4	13.3	12.1	10.7	10.5	6.3	11.5

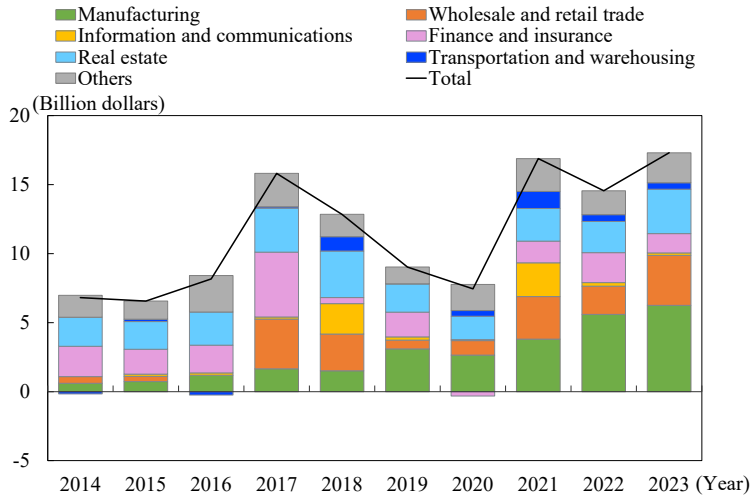
Note: The share of the U.S. in 2018 and that of the EU27 in 2019 were negative values.
Source: ASEAN stats.

The value of investments from China has remained high since it increased steeply in 2021, surpassing the value of investments from Japan in 2023, making China the second largest investor after the United States.[274] By industry, the uptrend in investments in the manufacturing industry in particular is noteworthy (Figures II-2-5-21 and II-2-5-22). Before 2018, investments from China in ASEAN were concentrated mainly in the real estate and financial industries. Afterwards, investments in the manufacturing industry, including electronic equipment, EVs, and batteries and related products (including extraction and processing of critical minerals) increased. The trend indicates that Chinese manufacturing enterprises are internationally diversifying business bases against the backdrop of concerns about the U.S.-China trade conflict and the supply chain disruptions caused by the COVID-19 pandemic.[275]

Among investment recipient countries, while Singapore was the main recipient, investments in Indonesia increased due to active investments by Chinese enterprises in the primary metal industry, including nickel. According to statistics prepared by the government of Thailand, of the overall value of FDIs in Thailand in 2024 (on an approval basis), China accounted for 24%, becoming the second largest investor after Singapore. By sector, investments were made mainly in the machinery, automobiles, electrical and electronic equipment, and metals/raw materials sectors, each of which accounted for more than 20%.

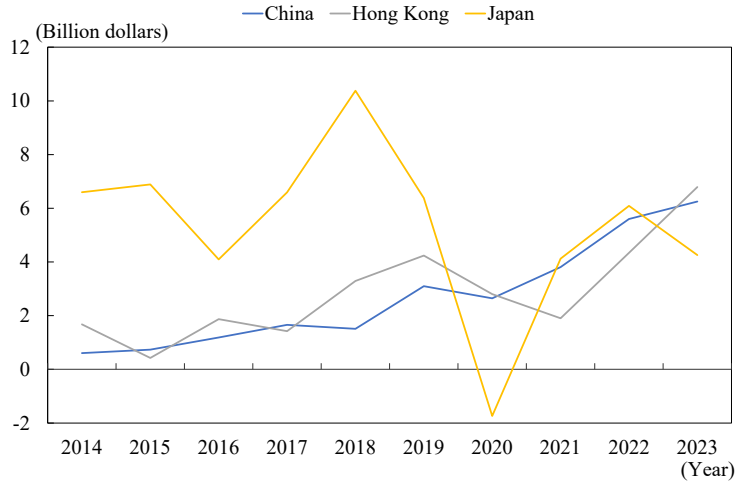
[274] As mentioned earlier, although it is difficult to identify the value of "real outward FDIs from China," a significant portion of investments from Hong Kong is presumed to come from Chinese enterprises and investors. Therefore, China's real share may be higher.
[275] The ASEAN Secretariat and the UNCTAD (2024)

Figure II-2-5-21. FDIs from China to ASEAN (by industry)



Source: ASEAN stats.

Figure II-2-5-22. Changes in FDIs to ASEAN manufacturing industry (China, Hong Kong, and Japan)

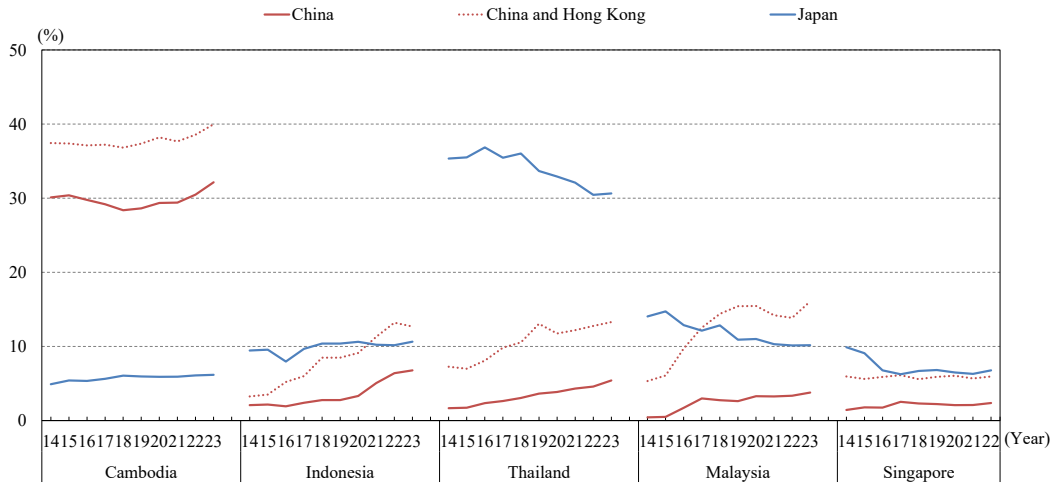


Source: ASEAN stats.

From individual ASEAN countries' points of view, too, the presence of FDIs from China is growing. Figure II-2-5-23 shows changes in the respective shares of Japan and China and the combined share of China and Hong Kong[276] in the inward FDI stocks in the ASEAN countries for which data is available. Not only in Cambodia, where the stocks of investments from China had traditionally been large but also in Malaysia and Indonesia, the combined share of China and Hong Kong surpassed the share of Japan. In addition, the combined share of China and Hong Kong became similar to the share of Japan in Singapore. In Thailand, the share of Japan continued to be larger than the combined share of China and Hong Kong but trended downward, indicating the stagnancy of new investments by Japanese companies.

[276] As mentioned earlier, a significant portion of investments from Hong Kong is presumed to come from Chinese enterprises and investors, so the trend in the combined value of investments from China and Hong Kong is indicated by the broken line as a reference.

Figure II-2-5-23. Changes in shares of the inward FDI stocks in the ASEAN countries

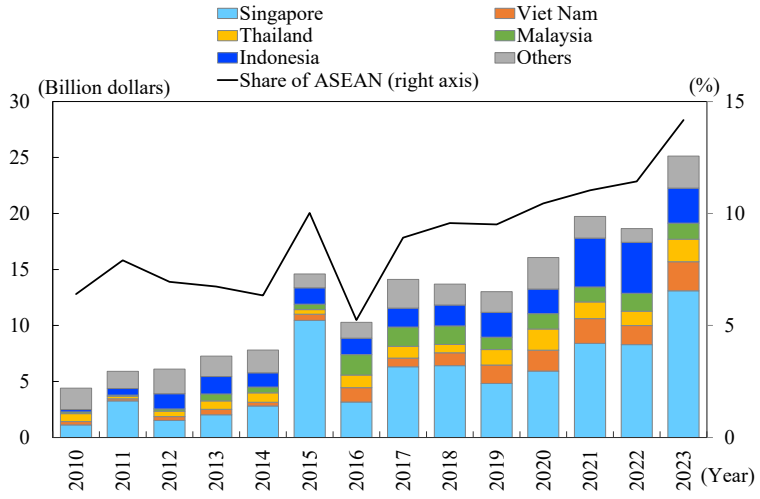


Note: The figure shows only the countries for which data is available. The data for Singapore in 2023 has not been released.

Source: ASEAN stats.

As for outward FDIs from China, Hong Kong as an investment recipient accounted for more than 60%, while ASEAN's share in overall FDI from China trended upward amid the weakness of investments in the United States and Europe. In 2023, ASEAN's share, at around 14%, was the largest among all investment recipient countries and regions except for Hong Kong (Figure II-2-5-24).

Figure II-2-5-24. Changes in FDIs from China to ASEAN

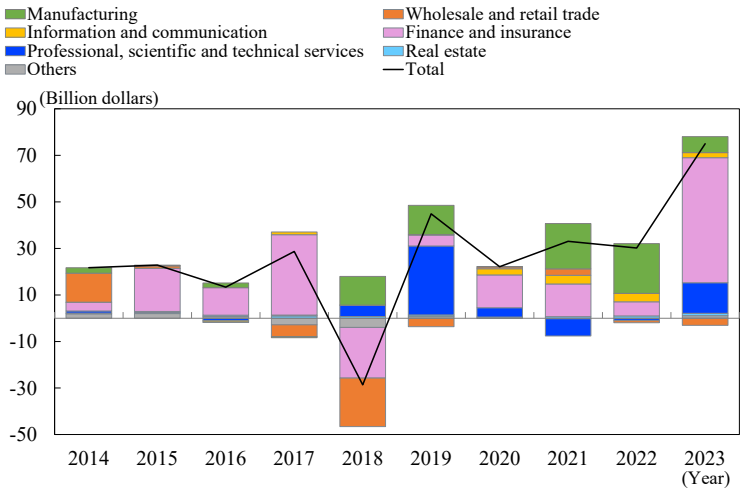


Sources: Ministry of Commerce of China, CEIC.

Investments in Singapore account for most of FDI in ASEAN from the United States. By industry, the financial/insurance industry is the main investment recipient. However, since 2018, when the U.S.-China conflict started in earnest, the value of investments in the manufacturing industry, including semiconductors and related products has stayed high (Figure II-2-5-25). In 2019 and 2023, the value of

investments in professional, scientific and technical services was also high. In 2023, the value of investments increased significantly, mainly in the financial and insurance industry, while Singapore, as an investment recipient country, accounted for more than 90% of the total.

Figure II-2-5-25. Changes in FDIs from the U.S. to ASEAN (by Industry)



Source: ASEAN stats.

Finally, we will mention ASEAN's perceptions of the United States and China. According to the results of the most recent survey conducted by the ISEAS–Yusof Ishak Institute on the perceptions of those countries among experts in the ASEAN region,[277] the percentage of those who replied that ASEAN should align with the United States if forced to choose either China or the United States, at 52.3%, was higher than the percentage of those who preferred China.[278] In the previous survey (published in 2024), the percentage of those who preferred China came to 50.5%, surpassing the percentage of those who preferred the United States for the first time since this question was introduced in 2020. The small difference in the preference indicates a balancing act being played by ASEAN between the United States and China.

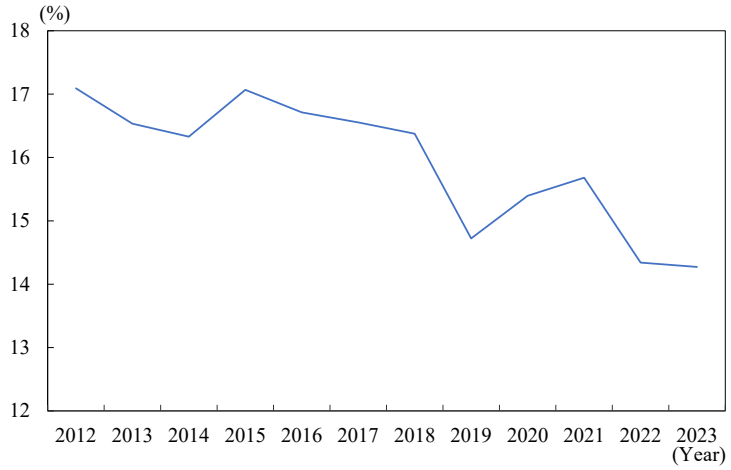
ASEAN as a whole, despite differences across member countries, has maintained a policy of omni-directional openness even amid the U.S.-China conflict and deepened trade and investment relationships with both the United States and China. ASEAN's trade and investment relationships with China have steadily deepened. However, in some ASEAN countries, there are growing concerns about the impact of inflows of low-priced Chinese products on domestic industries. As for relationships with the United States, ASEAN has benefited from the expansion of exports to the United States against the backdrop of the U.S.-China trade conflict. However, as Viet Nam's and some other countries' trade surpluses with the United States are expanding, it is necessary to pay attention to the possibility that those countries may be considerably affected by the U.S. tariff policy.

[277] This survey is conducted annually by the ISEAS–Yusof Ishak Institute, a think tank in Singapore, with experts in the ASEAN member countries. This was the seventh iteration of the survey.
[278] Seah et al. (2025)

3. India aiming to develop domestic industries under protectionism

In recent years, India has maintained high growth, led by domestic demand, but its trade deficit has been expanding because of increasing imports due to delays in the development of the manufacturing industry. The government of India launched the "Make in India" initiative to promote the manufacturing industry in 2014. Under a protectionist policy employing high tariffs and non-tariff barriers,[279] India aims to strengthen the competitiveness of the manufacturing industry. The government of India has set the goal of increasing the share of the manufacturing industry in GDP to 25% by fiscal year 2025. However, while the economic growth led by the services industry continues, the share of the manufacturing industry in the whole of the economy has declined recently, rather than having expanded (Figure II-2-5-26).

Figure II-2-5-26. Proportions of the manufacturing industry in GVA in India



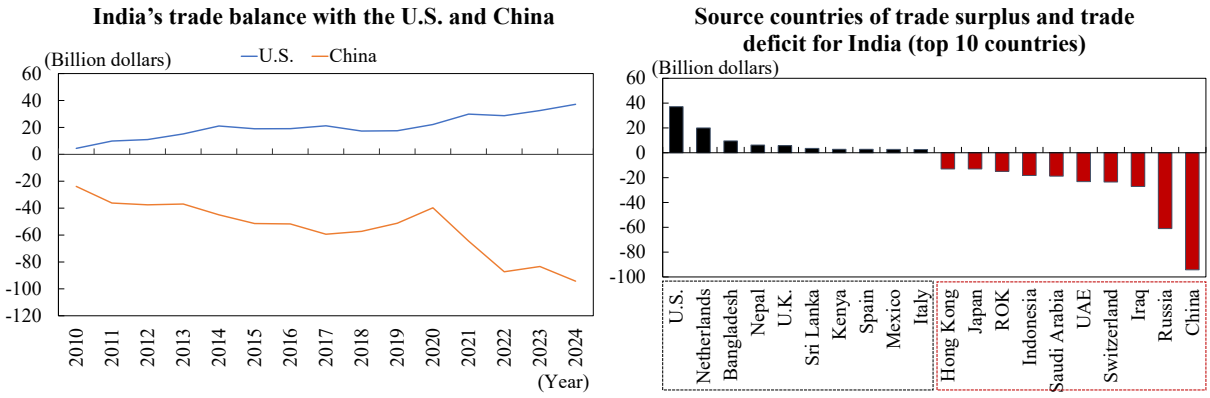
Source: UN stats.

(1) Trade

First, we will look at the trends in India's trade with the United States and China. For India, China is the largest import source country and is also the largest source of trade deficit. India's trade deficit with China began to increase in the middle of the 2000s, and since 2021 in particular, it has expanded further, accounting for a third of India's overall trade deficit in 2024. On the other hand, the United States is the largest export destination country and the largest source of trade surplus for India (Figure II-2-5-27).

[279] Since 2014, in order to promote the domestic manufacturing industry, the government of India has introduced tariff hike measures regarding various products under budget bills (and enacted budget laws) and domestic notifications, raising tariff rates regarding even ICT products for which the tariff rate is specified as zero under the schedules of tariff concessions to the WTO Agreements. In addition, in recent years, India has introduced mandatory specifications in a broad range of sectors, including steel products and electrical and electronic equipment, and is accelerating moves to obligate the acquisition of certification for the Indian Standards when applicable products are imported or sold domestically (Ministry of Economy, Trade and Industry [2024]).

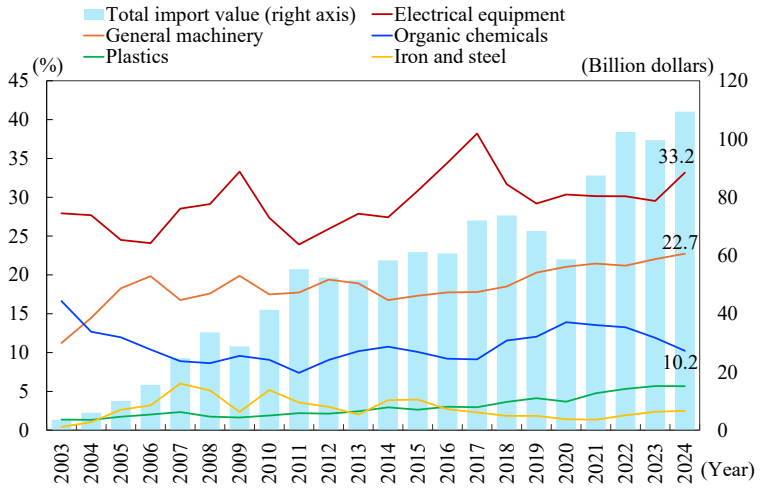
Figure II-2-5-27. India's trade balance with the U.S. and China and the source countries of trade surplus and trade deficit for India (top 10 countries) (2024)



Source: Global Trade Atlas.

Imports from China have increased significantly since the end of the COVID-19 pandemic, and China's share in overall imports into India has remained high, at around 15%. By import item, electrical equipment is the largest import item, accounting for a third, or 33.2%, of overall imports, followed by general machinery with 22.7% and organic chemicals with 10.2% (2024) (Figure II-2-5-28). More specifically, India depends highly on China for imports of machinery products, including automatic data processing machinery (e.g., personal computers), semiconductor devices, and storage batteries, and heterocyclic compounds, and pharmaceutical products, such as antibiotics : China's shares in imports of those products are higher than 50% (Table II-2-5-29).

Figure II-2-5-28. Changes in shares of India's major import items from China (2-digit HS code)



Source: Global Trade Atlas.

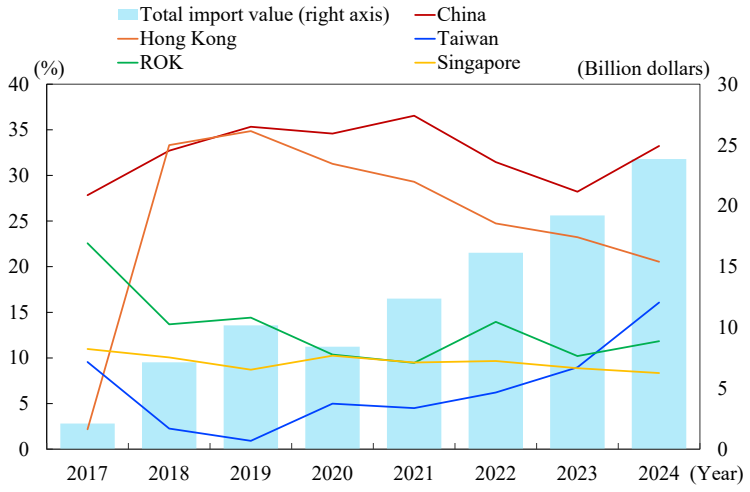
Table II-2-5-29. India's major import items from China (4-digit HS code) (2024)

HS code	Item	Values (million dollars)	Share of China (%)
8542	Integrated circuits	7,925	33.2
8517	Telephones	7,681	43.4
8471	Automated data processing machinery	5,484	51.4
8541	Semiconductor devices	4,082	64.2
8507	Storage battery	2,418	67.8
8524	Flat panel display modules	2,269	51.6
8504	Electric transformers, static converters, and inductors	1,969	55.2
2933	Heterocyclic compounds	1,726	74.3
2941	Antibiotics	1,705	87.2
8479	Machines	1,490	44.4

Source: Global Trade Atlas.

Imports of integrated circuits have increased steeply since 2018, presumably because production and exports of some electronic products in which integrated circuits are used as parts, such as mobile phones, are increasing in India (to be mentioned later). As for import source countries, China and Hong Kong together account for more than 50% of overall imports into India (Figure II-2-5-30).

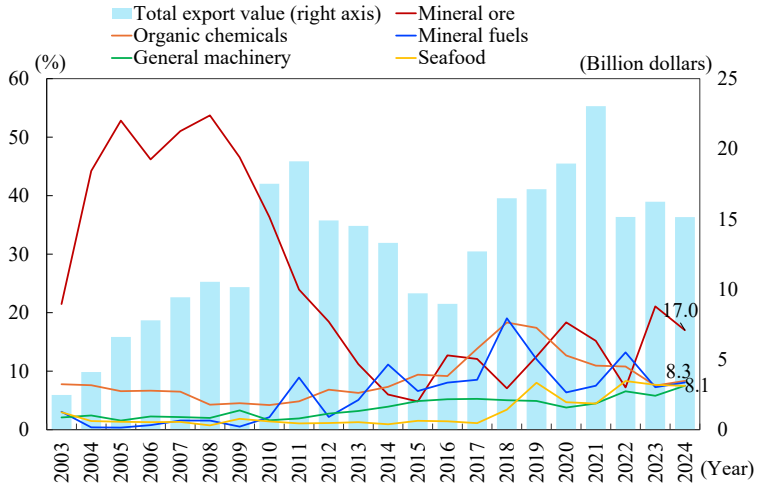
Figure II-2-5-30. Changes in shares of import source countries in integrated circuits (HS8542) in India



Source: Global Trade Atlas.

Exports to China trended upward from 2017 onwards but declined steeply in 2022. By export item, ore is the largest export item, accounting for 17.0% of overall exports, followed by organic chemicals with 8.3% and mineral fuels with 8.1% (2024) (Figure II-2-5-31). Primary goods have large shares, while the increases in the shares of machinery products have been limited. India's share in overall imports into China is tiny, or 0.7%.

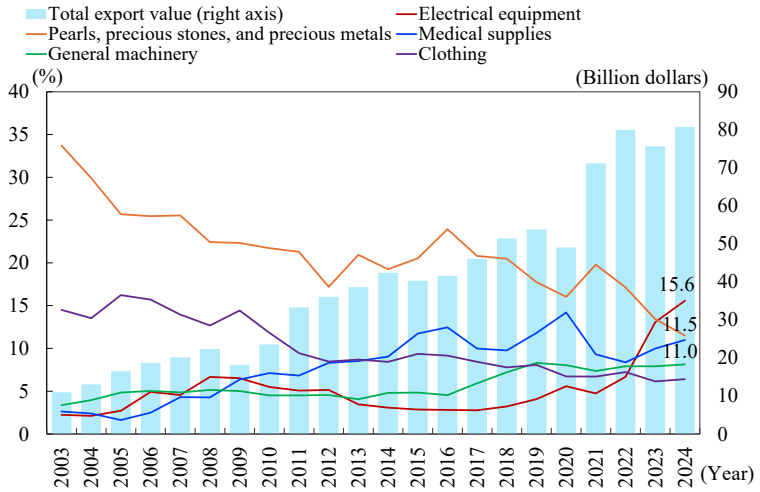
Figure II-2-5-31. Changes in shares of India's major export items to China (2-digit HS code)



Source: Global Trade Atlas.

Next, we will look at exports to the United States. Exports to the United States increased steeply in 2021 and have followed an uptrend since then. As an export destination country, the United States accounted for 18.2% of overall exports from India. By export item, electrical equipment is the largest export item, accounting for 15.6%, followed by the pearls/precious stones/precious metals category with 11.5% and medical products with 11.0% (2024) (Figure II-2-5-32). While the share of the pearls/precious stones/precious metals category fell, the share of electrical equipment rose sharply in 2022 and later. Among electrical equipment, the shares of telephones and semiconductor devices increased markedly. In 2023 and 2024, the share of medical products also increased.

Figure II-2-5-32. Changes in shares of India's major export items to the U.S. (2-digit HS code)

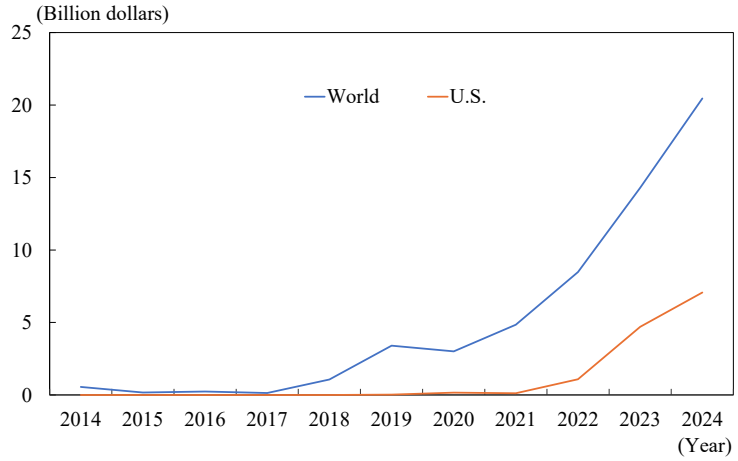


Note: The data for clothing show the total of that classified in HS61 and HS62.

Source: Global Trade Atlas.

In response to the Make in India policy, production capacity in India expanded in some manufacturing sectors, including electronic products. For example, regarding mobile phones, in addition to Chinese manufacturers such as OPPO and Xiaomi, Apple and Samsung also started to produce smartphones in earnest in India, so the value of exports of mobile phones increased by a factor of 19 compared with 2018. By export destination country, at first, the UAE was the main export destination, but since 2023, the United States has been the largest export destination, accounting for a third of overall exports (Figure II-2-5-33).

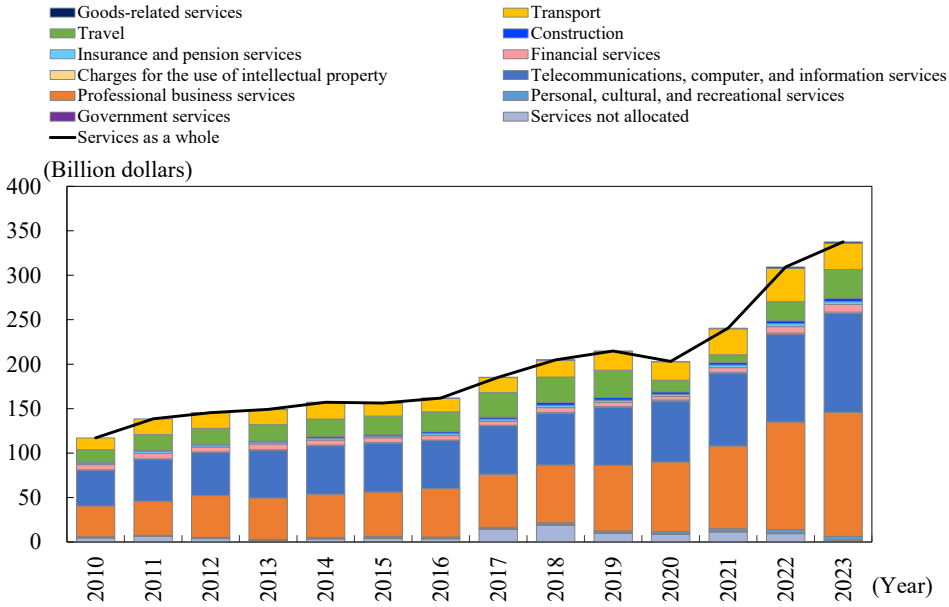
Figure II-2-5-33. Changes in export values of mobile phones in India



Note: The data for mobile phones show the total of those classified in HS851712, HS851713, and HS851714.
Source: Global Trade Atlas.

Finally, we will discuss services trade. As described in Part II, Chapter 1, Section 2, India is the ninth largest exporter of services in the world. The value of exports of services has been trending upward, and professional services (professional and management consulting services, etc.) and telecommunication, computer, and information services are the main export items (Figure II-2-5-34). India's IT industry provides software development service and customer service to U.S. and European companies. Among service export destination countries, the United States is the largest export destination, accounting for around 20% of overall service exports from India, followed by the United Kingdom (Figure II-2-5-35).

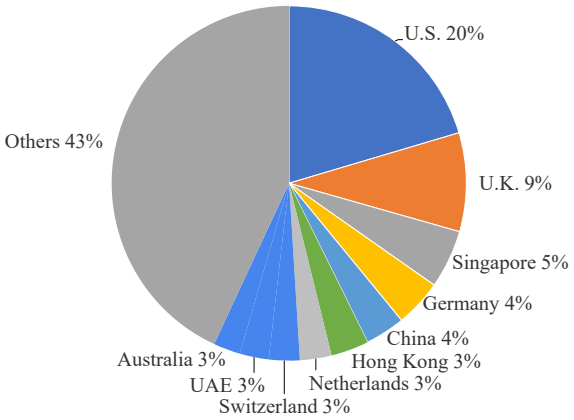
Figure II-2-5-34. Changes in exports of services in India



Note: In this figure, the category "Other business services" in the Balance of Payments Related Statistics is called "Professional business services." This category includes "research and development services," "professional and management consulting services," and "technology- or trade-related and other services."

Source: UNCTAD.

Figure II-2-5-35. Shares of service export destination countries from India (2023)



Source: BaTIS (OECD).

(2) Investment

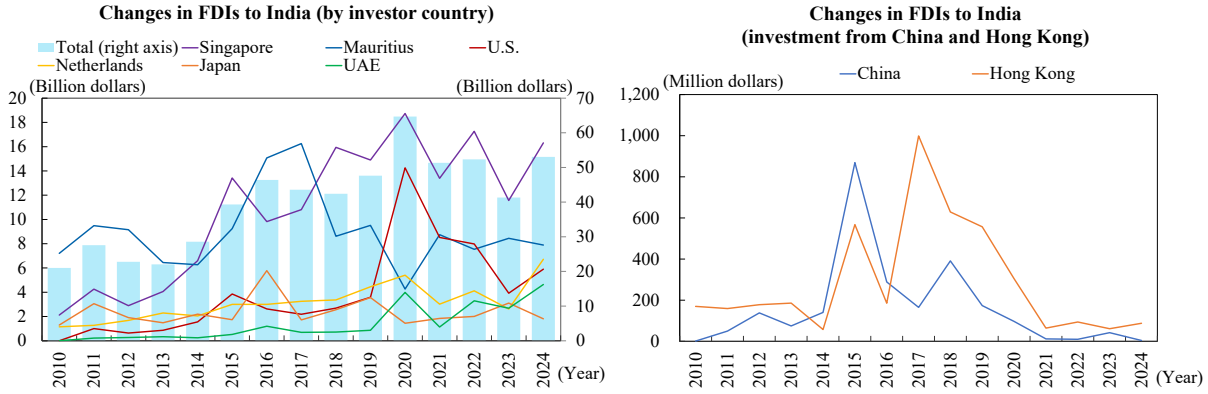
Next, let us look at inward FDIs. The government of India has introduced various incentive schemes in order to attract investments. The Production-Linked Incentive (PLI) scheme, introduced in 2020, provides incentives (subsidies) to manufacturing companies that have established new factories in priority sectors, such as automobiles, medical equipment, and storage batteries, in proportion to the increase in the value of sales.

As for the trend in FDIs in India, after increasing considerably in 2020, investments lost momentum and continued to decline through 2023. By investment source country, Singapore and Mauritius are the main investor countries,[280] but in 2020, the value of investments from the United States increased steeply and has remained at a relatively high level since then (Figure II-2-5-36).

In terms of the value of cumulative investments, the United States was the third largest investor country in 2000 through 2023. By industry, the main investment recipient was the computer industry (software and hardware) with a share of 44%, followed by the services industry with 15%, and the automobile industry with 6%.

Investments from China started to increase steeply around 2014, although the investment value remained small. Following the introduction in April 2020 of a prior permission system[281] applicable to all FDIs from countries sharing national borders, including China, the value of investments from China has remained tiny since 2021 (Figure II-2-5-36).

Figure II-2-5-36. Changes in FDIs to India
(by investor country and investment from China and Hong Kong)



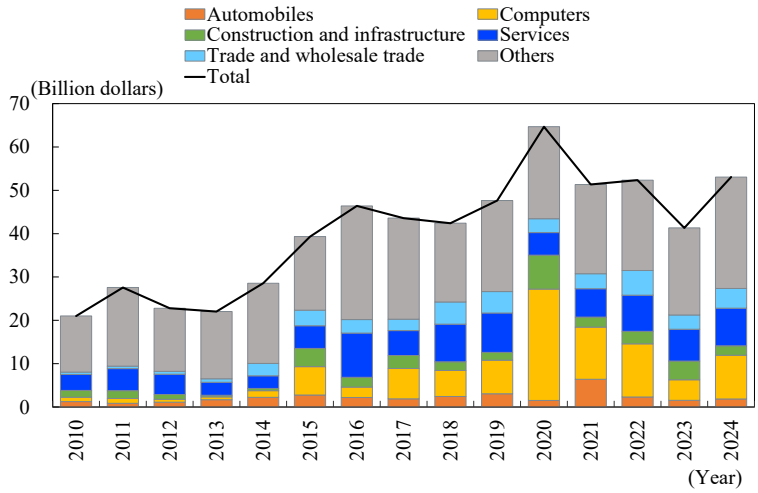
Sources: Ministry of Commerce and Industry of India, CEIC.

[280] Behind Mauritius' large presence in FDIs in India is its position as a conduit used by U.S. and European companies for investments in India due to the preferential tax treatment provided under the two countries' tax treaty. As a result of the revision of the tax treaty in 2016, ordinary tax rates became applicable at the end of March 2019, when the transition period expired (Nishizawa (2019)).

[281] The objective of the system is to prevent opportunistic acquisitions associated with the COVID-19 pandemic. Previously, only investments from Pakistan and Bangladesh were universally subjected to prior permission, but the scope of countries subject to the system was expanded to cover countries sharing national borders with India (or cases in which a person effectively controlling the investment is a resident in such a country).
Press Information Bureau, Government of India, "Government amends the extant FDI policy for curbing opportunistic takeovers/acquisitions of Indian companies due to the current COVID-19 pandemic," April 18, 2020, https://pib.gov.in/PressReleasePage.aspx?PRID=1615711 (as viewed on June 9, 2025)

By industry, the services industry (e.g., financial services, business services, and research and development) and the computer industry (software and hardware) are major investment recipients. In 2020, the value of investments in the computer sector increased steeply and has remained high since then, except in 2023 (Figure II-2-5-37). According to UNCTAD, in 2024, investments in the manufacturing industry, mainly the semiconductor and primary metals sectors, increased.[282]

Figure II-2-5-37. Changes in FDIs to India (by Industry)



Sources: Ministry of Commerce and Industry of India, CEIC.

As described above, India has restricted FDIs from China. However, as it is difficult to totally exclude Chinese investments from supply chains, India is looking for the right balance[283] (Figure II-2-5-38). With the United States, India has strengthened cooperation in various sectors under the frameworks of the Comprehensive Global Strategic Partnership, which was concluded in 2020, and the U.S.-India initiative on Critical and Emerging Technology. However, as the United States' trade deficit with India has been expanding as a trend, U.S. President Trump regards India's high tariff rates as a problem. At a summit meeting in February 2025, India and the United States agreed to hold negotiations over a bilateral trade agreement and announced the goal of more than doubling the total value of trade between the two countries from the current level to 500 billion dollars by 2030. It is necessary to pay attention to the future course of India's relationships with the United States and China.

[282] UNCTAD (2025)

[283] In the Economic Survey 2023-2024 report, published in July 2024, the Indian Ministry of Finance expressed the view that if India's manufacturing industry is to be promoted and be integrated into the global supply chain, it is inevitable that the industry be integrated into China's supply chain, either by depending solely on imports or partially through the acceptance of Chinese investments (Ministry of Finance, Government of India [2024]).

Figure II-2-5-38. India's trade and investment relationships with the U.S. and China

(%)

Share	Shares of countries in exports from India	Shares of countries in imports to India	Shares of countries in FDI flows (inward) to India
U.S.	18.2	6.1	11.1
China	3.4	15.3	0.01
Japan	1.3	2.6	3.4

Note: This figure shows the data in 2024. For example, the share of FDIs from China in the total FDI flows to India is 0.01%.

Sources: Global Trade Atlas, Ministry of Commerce and Industry of India, CEIC.

4. Dependence on specific countries for imports

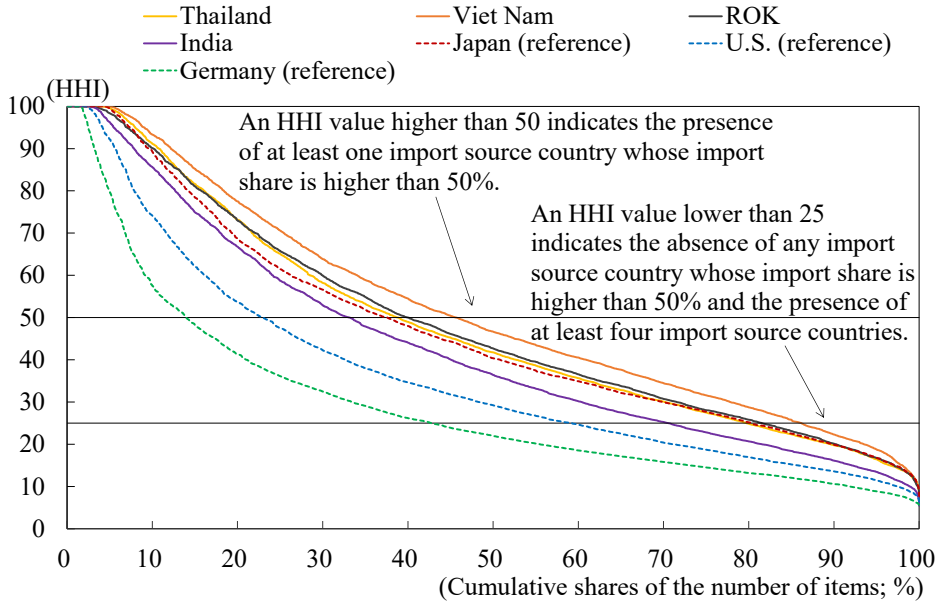
Finally, regarding imports by Asian countries (the ROK, Indonesia, Thailand, Malaysia, the Philippines, Viet Nam, and India), we will look at those countries' dependence on specific countries. Here, we will examine dependence on specific countries by HS six-digit category of items based on the Herfindahl-Hirschman Index (hereinafter the "HHI"),[284] which is an indicator of concentration of imports, focusing on industrial products (HS Codes 25 to 97).

Figure II-2-5-39 shows the distribution of HHI values regarding imports on an item-by-item basis with respect to the ROK, Thailand, Viet Nam, India, Japan, the United States, and Germany.[285] In the case of Asian countries, including Japan, the HHI value tends to be higher than 50 for many items, compared with the United States and Germany. Among the Asian countries, the share of items with an HHI value higher than 50 is relatively small for India, while the share of such items is large for Viet Nam. Regarding other countries, there is high import concentration for around 40% of all items covered by the data.

[284] The level of import concentration as measured by the HHI is calculated by dividing by 100 the sum of the squares of shares of import source countries by item. According to the definition of the HHI here, the HHI takes the value 100 when there is total dependence on specific countries for imports, while the HHI value approaches zero if the diversification of import source countries proceeds. An HHI value lower than 25 indicates the absence of any import source country with an import share higher than 50% and the presence of at least four import source countries.

[285] Because the curves for Indonesia, Malaysia, and the Philippines overlap the ones for other Asian countries, those three countries were excluded from the table for ease of viewing.

Figure II-2-5-39. Distribution of the HHI values by country

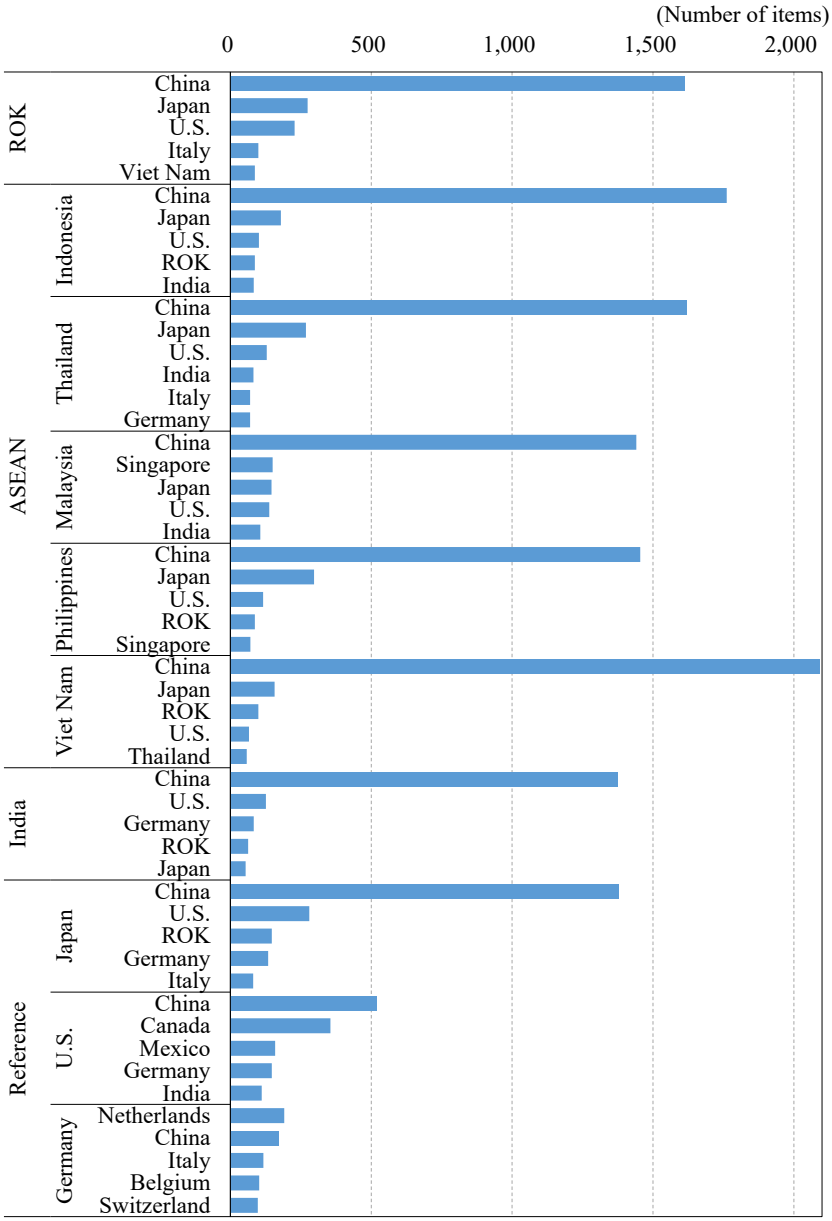


Note: This figure shows the data in 2023. The data are aggregated based on 6-digit HS codes, targeting Categories 25 to 97 of the HS codes.

Source: Global Trade Atlas.

Next, Figure II-2-5-40 shows the numbers of items dependent on specific import source countries for more than 50% of imports (items of high import concentration), classified by import source country. For all Asian countries, China is the import source country with by far the largest number of items of high import concentration. According to a comparison with United States and Germany, that is a pronounced feature of Asian countries' imports. In particular, Viet Nam depends highly on China for imports of more than 2,000 items. Among the ASEAN countries, the Philippines and Malaysia depend highly on China for imports of a relatively small number of items, or less than 1,500 items. The numbers of items for which India and Japan depend highly on China is even smaller. For reference, for the ROK, Indonesia, Thailand, the Philippines, and Viet Nam, Japan is the import source country with the second largest number of items of high import concentration.

Figure II-2-5-40. Numbers of items dependent on specific import source countries for more than 50% of imports (classified by import source country)

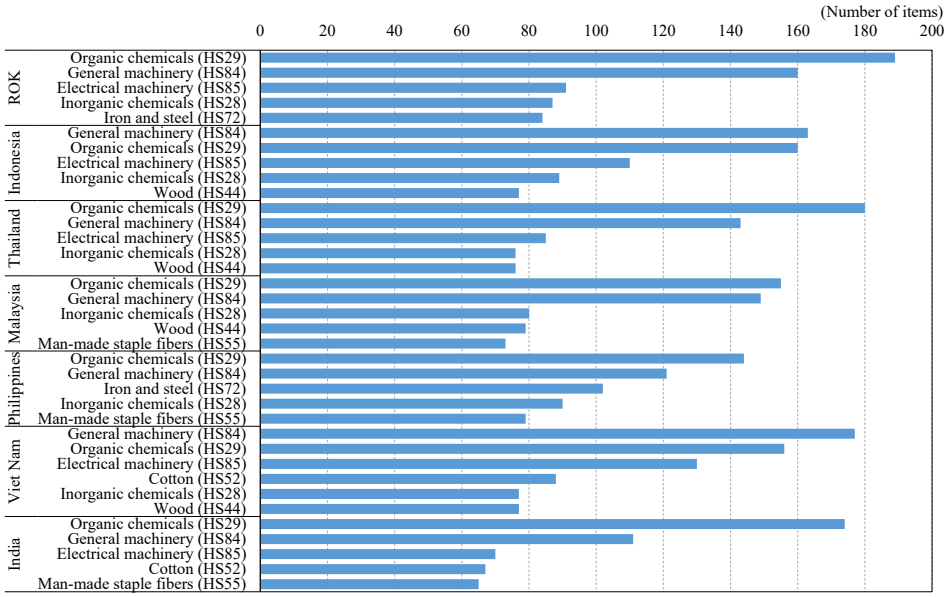


Note: This figure shows the data in 2023. The data are classified by import source country based on the results of aggregation on the basis of 6-digit HS codes, targeting Categories 25 to 97 of the HS codes.

Source: Global Trade Atlas.

Figure II-2-5-41 shows the numbers of items with an HHI value higher than 50 categorized by two-digit HS code. For all Asian countries, the organic chemicals and general machinery categories are the top two categories, meaning that those countries depend highly on specific countries for imports of those categories of items in particular. Electrical equipment and inorganic chemicals are also items of high import concentration for many countries.

Figure II-2-5-41. Characteristics of items with an HHI value higher than 50 (classified by two-digit HS code)



Note: This figure shows the data in 2023. The data are classified by 2-digit HS code based on the results of aggregation on the basis of 6-digit HS codes, targeting Categories 25 to 97 of the HS codes.

Source: Global Trade Atlas.

In Part II, Chapter 2, Section 1 of the White Paper on International Economy and Trade 2024, we conducted an analysis using the HHI with respect to Japan, the United States and Germany and showed that Japan depends on specific countries for imports of more items than the United States and Germany. The abovementioned Asian countries generally depend on specific countries for imports of a similar or greater number of items. That indicates that disproportionate dependence on specific countries for imports is a phenomenon common to many countries in Asia. However, when it comes to the policy implications of the disproportionate dependence, it is necessary to look at the circumstances in each country, including the balances in exports, imports and investments, the characteristics and competitive relationships of specific items, and the position of specific items in supply chains.