

Trade war hits Indian exports to China

SANGEETHA G
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Trade tensions have hit bilateral containerised trade between India and China, which had touched a historic high last year. The tension between the US and China has also led to notable changes in the trade dynamics between different countries.

According to the Maersk India Trade Report, India's containerised exports to China grew slower by 20 per cent in the June quarter against 222 per cent growth in Q2 last year.

This was mainly led by a significant fall in the demand for India-made textiles and apparel, recyclable plastic and rubber, which were large export commodities in the corresponding period last year. China had imposed a ban on import of recyclable plastics and rubber, highlighting environmental concerns and a desire to



clean up polluted areas. Similarly, imports from China also dropped by 22 per cent against 6 per cent growth last year.

China has also restricted import of certain types of waste paper due to environmental concerns. The restrictions led to a decrease in waste paper prices, in turn benefitting India, an importer of the commodity.

"Reduced bilateral trade between the US and China has led to various shifts in overall trade structures, with limited sourcing

starting to shift from China to other countries such as Vietnam, Korea, Thailand, Bangladesh and Mexico. India has thus far not been a beneficiary, however we would hope that this will change," said Steve Felder, Managing Director, Maersk South Asia.

Meanwhile, India's containerised export growth to North America grew by 15 per cent in Q2 2019. A large part of this growth can be attributed to Indian shrimp exports to North America, which rose by 14

per cent as compared to the same period last year.

"There are growing concerns that India's shrimp export growth could potentially slowdown in the coming period to due to increasing competition from other countries, and stricter controls and tariff barriers being imposed by destination countries," said Felder.

India-made vehicles saw the sharpest fall in exports to North America to an 11 per cent growth from 67 per cent growth last year.

On the import front, while domestic demand for textiles, apparel and accessories from North America grew, the demand for all other commodities fell considerably with fruits and nuts, vegetables and foodstuff being the hardest hit.

Exports to Saudi Arabia grew by 74 per cent from a mere 1 per cent growth last year, thanks to it lifting the ban on Kerala's fruit and vegetable.