Ban on Chinese Imports

What is the issue?

- Following the recent clashes with Chinese troops in Ladakh, there has been a push in India to boycott goods from China completely.
- Industry associations across sectors have been speaking up against it.

How dependent is India on Chinese imports?

- China accounts for a sizable portion of India's top imports, especially where intermediate products and raw materials are concerned.
- It is the top exporter of products like electrical machinery, equipment and their parts, nuclear reactors, chemicals, fertilisers as well as vehicles, their parts and accessories.
- In several cases, China's contribution is much higher than the second-largest exporter countries of these products to India.
- Several of these products are used by Indian manufacturers in the production of finished goods.
- This thoroughly integrates China in India's manufacturing supply chain.
- However, India only accounts for a little over 2% of China's total exports.

How could a blanket ban on Chinese imports hit India's exports?

- A blanket ban may not be feasible because of India's dependence on China for crucial raw materials.
- If China takes retaliatory measures, India would be affected more negatively.
- There are strategic and key inputs that India uses from China due to which its exports are more competitive.

What are the alternatives in this situation?

- The decision to boycott non-essential products made in China can be left to the individual.
- Trade-related measures like raising duties on cheaper raw materials imported from China would be better than an outright embargo.
- This would still allow access to crucial ingredients in the short-term.
- India should build self-reliance or switch to alternate trade partners.
- In the latter case, the costs of the raw materials from the alternate sources may be higher.

- This cost may get passed on to consumers if the manufacturers cannot absorb them.

What is the way forward?

- India needs to look into the totality of its trade with China and Hong Kong.
- It must implement certain short- term to long-term plans to reduce its dependence on them.
- "Atmanirbhar" focus of the government would build self-reliance in the ministries handhold industries.
- India needs to reduce its import dependence in electronic and telecommunication sectors through a long-term focus on building self-reliance in manufacturing.
- Import substitution manufacturing should attract interest subvention on credit, offsetting inland freight disadvantage besides equalization of import tariff from free trade areas.
- Exporters could minimise their impact through strategies that involve a focus on other advanced and emerging markets.

Source: The Indian Express

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