India’s Import Statistics

What is the issue?

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- India’s import dependence has been on the upswing on multiple domains.
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- As this a risk, India needs to tweak policies to reduce import dependence in certain domains and build export capabilities in some others.
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Why are imports important?

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- India follows an open trade policy where most products can be imported without any licence on payment of duty.
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- Imports (particularly import of capital goods) make the Indian economy efficient and vibrant, but this comes along with risks.
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- Substandard imports can affect the health of the people while subsidised imports harm the domestic industry.
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- Further, over-reliance on a country for any product could compromise the economic and national security of the country.
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- Considering all this, some countries follow an active product level import regulation policy, which could be emulated by Indian too.
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- For this, it is prudent to analyse India’s import profile closely.
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What is India’s import profile?

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- India imported goods/services worth $465 billion in the last financial year (FY18), and almost 95% of these can be classified into 5 major categories.

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Group 1: (Oil, Gold, Coal and Diamond)

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- **Crude -** This group accounts for $206 billion or almost 45% of all imports.
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- In FY18, crude oil worth $87.3 billion and petrochemicals valued at $27.3 billion were imported into India, which is a whopping 85% of our crude needs.
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- Notably, in the 1980s, India met 85% of its crude oil needs mainly from ONGC’s Bombay High offshore oil-field.
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- In this context, a renewed focus on exploration in India and buying of oil-fields abroad will help in reducing this massive external dependence.
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- **Diamond -** India is the largest diamond polishing hub in the world, and imports, polishes and exports a large volume of diamonds.
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- In FY18, India imported diamonds of value $35 billion and exported diamonds worth $25 billion and the remaining was consumed locally.
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- In this context, it is to be noted that China is luring Indian traders to set operations there, which is a risk that Indian policy makers need to be aware of.
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- A quick punishment mechanism for defaulters and a hassle-free export-import environment for honest traders are needed to retain market share in this area.
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- **Gold -** With an import worth over $37 billion in FY18, India is the second largest consumer of gold after China.
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- While some of this was exported as jewellery, earning $13 billion, gold worth a whopping $21.6 billion was consumed locally.
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- Innovative gold schemes to monetise the stagnant gold resources and also to reduce demand for gold need to be piloted to reduce this stress.
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- **Coal -** India imported $23 billion worth of coal in FY18, which is surprising considering we have reserves for meeting our needs for the next 100 years.
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- Coal imports have increased largely because of demand from new power plants which are designed to use only high grade imported coal.
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- Low quality of Indian coal (with high ash content of 30-40%), inability of Coal India Ltd to increase production are key reasons for surge in imports.

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- Further, transport issues and poor development of technologies to increase the calorific value of local coal also make imported coal attractive.
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- An early resolution of these issues will reduce imports substantially.
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Group 2: (machinery, electronics and telecom)

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- This group accounts for $106 billion or 23% of India’s imports.
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- Machinery and auto components accounted for $50 billion, electronics products $34 billion, and telecom products $22 billion.
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- **Machineries -** Major machineries imported into India are - Factory machinery, parts needed to service domestic aeroplanes, auto components, IC engines, refrigeration and construction machinery, excavators, cranes, machine tools, hand tools, pumps, electrical transformers, etc.
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- Indian firms can meet most of our industrial and defence requirements, but the capacities of even top firms remain un-utilised.
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- This is mainly because Indian firms lose out on account of subsidised imports from China in domestic tenders, which needs to be checked.
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- **Electronics & Telecom -** Major electronics products imported into India are mobile phones, computers, ICs, TVs, refrigerators, washing machines, solar cells, parts to create telecom network, and hospital equipment.
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- India imports most of these products from China, which dominates the world market by a large margin.
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- India has to ensure a quick export-import clearance system to promote domestic manufacturers to become part of the global value chain (GVC).
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- Also, we must create mega component hubs through special economic zones, from where components needed by domestic firms may be imported in bulk.
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Group 3: (Chemicals, Pharmacy and Plastics)

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- This group accounts for $60 billion or almost 13% of India’s imports.
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- Agro chemicals, paints and cosmetics account for $33 billion, plastics and rubber products $22 billion, and fertilisers and bulk drugs, $5 billion each.
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- We dependent on China for import of Active Pharmacy Ingredients (APIs) and Key Starting Materials (KSMs), which are largely overpriced.
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- Realising its monopoly position, China has increased bulk drug prices by 1,200% in the past two years, which has inflated import bills multi-fold.
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- India’s bulk drug industry was way ahead of China’s in the 1990s but fell back due to certain policy measures and predatory pricing by China.
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- We must revive the API industry by addressing these shortcomings, to ensure our country’s health security.
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Group 4: (Steel, Metals and Minerals)

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- In FY18, this group accounted for $33 billion of our imports.
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- India must watch out for dumping from countries such as China, Korea, and Japan have excess capacities, as their exports to the US and the EU would now be restricted because of tariff hikes.
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- Also, India could consider sourcing the technology to domestically produce specialty steel used in automobiles and electrical equipment.
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Group 5: (Agriculture)

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- Agriculture sector’s share in total imports stood at $23 billion in FY18.
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- While vegetable oil being the most valued item, at $12 billion, it was followed by pulses ($2.9 billion), and fruits, cashew and spices ($4.3 billion).
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- Imports of vegetable oil can be brought down by highlighting the health risk associated with the use of palm and many other imported oils.
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- Promotional for replacing these with healthier traditional mustard, groundnut, coconut and sesame oils can be taken out.
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What is the way ahead?

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- While we need to mull over managing our imports, we shouldn’t end up formulating policies for protecting inefficient local industry.
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- Further, we need to add globally competitive domestic capacities in select

product groups with an eye on exports subsequently.
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- Enhancing our export standing will help in making up for our excessive imports in certain domains that can’t be manufactured domestically.
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Source: Business Line

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