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India can add $20B to GDP if import dependence on China is halved: Report

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New Delhi: India can add USD 20 billion to its Gross Domestic Product (GDP) if the country can reduce by 50 per cent the dependence on imports from China by leveraging the production linked incentive schemes, an SBI research report said on Tuesday.

In terms of imports, India continued to reduce its trade deficit with China in FY21. However, share of China in India's total merchandise imports has been steadily increasing to 16.5 per cent currently, as per the report Ecowrap.

In FY21, out of the USD 65 billion of imports from China, around USD 39.5 billion were commodities and goods where PLI scheme has been announced (textile, agri, electronics goods, pharmaceuticals & chemicals).

"If, because of the PLI scheme, we can reduce our dependence on China even to the extent of 20 per cent, then we can add around USD 8 billion to our GDP. Over time, if our dependence is further reduced by 50 per cent, we can add USD 20 billion to GDP," the report said.

In FY22 April-December period, there were 6,367 products with a total value of USD 68 billion (or 15.3 per cent of the total imports) imported by India from China.

The report said it estimated the import dependence of each product on China by checking the share of Chinese imports in India's overall imports of these categories.

"The maximum aggregate value (USD 9.7 billion) is of the products in which our import dependence on China is between 50-60 per cent, although the number of products is lower.

"Although number wise the imports were highest in the category where our dependence was lowest (0-10 per cent), the value is not that high at around USD 1,894 million," the report said.

Further, it said most important imports for FY22 so far are personal computers and parts of telephonic and telegraphic equipment, electronic integrated circuits, solar cells, urea and micro-assemblies' lithium-ion and diammonium phosphate. There are other goods also under the electrical and electronics imports.

The items in the low value category are a mix of finished goods and intermediate inputs and India has a revealed comparative advantage in most of these imports, it said.

"If India wants to wean itself off its dependence on China, capabilities have to be developed in these areas, especially chemicals, textiles, footwear, so that both inputs and final consumer goods in these low value imports can be manufactured domestically," the report said.

India should integrate more and more into the Global Value Chains (GVCs), it added.