MSMEs can play a major role in attaining self-sufficiency in select sectors

India's trade deficit stood at USD 160 billon or 6% of the country's GDP in 2019-20, although it fell marginally from USD 184 billion in the previous year. Major cause of this trade deficit is India's huge import of crude oil, gold & other precious metals and electronic goods. It is not possible to eliminate this trade deficit in the near future. However, we can reduce this deficit by promoting indigenous production of those items where India is dependent on imports. India may not become self-sufficient in production of electronic goods and heavy engineering goods overnight as manufacturing these goods require huge capital investment and technology transfer from foreign countries. But there are some goods which are less technology intensive and local manufacturing of which can be promoted by supporting micro, small and medium enterprises (MSMEs). These goods fall under the broad category of glass, rubber and plastic products, paints and inks.

In case of glass and glassware, India's import stood at USD 1.33 billion, higher than export of USD 856 billion in 2019-20. China was the major supplier of these products as it accounted for 53% of our total imports in this category.

In the category of paints, printing ink and related products, India's import was USD 2.24 billion, higher than its export of USD 1.02 billion. China accounted for 24% of our imports, while other major sources of imports were South Korea, Germany and USA.

Another major category where India is dependent on import is rubber products. India's import of rubber products stood at USD 2.21 billion, while its export was USD 1.43 billion. South Korea was the major source, accounting for 13% of our total imports, while Japan, China, Singapore were other leading suppliers.

India needs targeted policy intervention to support local MSMEs to manufacture these products. Government can support MSMEs through capital subsidy, concessional financing, cluster financing and other ways.

Products	Trade deficit in 2019-20 (in USD million)	Major four sources of import
Paints, printing ink and related products	1188	China, South Korea, Germany, USA
Rubber products	685	South Korea, Japan, China, Singapore
Plastic sheets and film products	522	China, USA, South Korea, Hong Kong

Glass and glassware	473	China, Malaysia, USA, Germany
Handtools and machine tools	307	China, South Korea, Japan, Germany
Footwear of rubber or canvas	49	China, Vietnam, Hong Kong, Thailand
Source: Ministry of Commerce & Industry, Government of India		

India can also focus on reducing import reliance in plastic sheets and film products. While India's import in this category stood at USD 1.94 billion, its export stood at 1.42 billion. Around 41% of India's import came from China, while USA, South Korea, Hong Kong were other major suppliers of these products.

Although India has a trade surplus in leather products, it is not self-sufficient in footwear made of rubber or canvas. In this category, India's imports stood at USD 332 million, while its export was USD 283 million. China was the major supplier of these goods, as it accounted for 59% of our total imports, while other major suppliers were Vietnam, Hong Kong and Thailand.

In the engineering sector, India can reduce its import reliance in hand tools and machine tools, where the country's total imports stood at USD 1.05 billion, while export was USD 752 billion. China accounted for 29% of our overall imports, while other leading suppliers were South Korea, Japan and Germany.

Government of India should handhold local MSMEs in indigenous manufacturing of these products by supporting them in technology, capital and skill development. The technology tool rooms or technology centres of the Ministry of MSME and the MSME DI can play a major role in enhancing the capacity of local MSMEs to produce these goods.

The district industries centre (DIC) of the state government should also coordinate with the Ministry of MSME in this effort to form clusters for manufacturing these products.

A coordinated effort of all stakeholders can lead to grassroot innovations in these sectors and this can form the initial step towards our goal of Aatma Nirbhar India.

Notifications

Press Information Bureau, Government of India

CBDT and CBIC sign MoU for exchange of data

https://pib.gov.in/PressReleasePage.aspx?PRID=1640147

Action plan under India–US Strategic Energy Partnership

https://pib.gov.in/PressReleasePage.aspx?PRID=1640246

Daily Bulletin on COVID 19

https://pib.gov.in/PressReleasePage.aspx?PRID=1640261

DGFT

Allocation of quantity for export of sugar to EU

https://content.dgft.gov.in/Website/dgftprod/29bcf018-aaa2-4f75-ae27-b96cf4adb668/PN%2014%20Eng.pdf

CBIC

Extension of anti-dumping duty on Fluoroelastomers (FKM) imported from China

https://www.cbic.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2020/cs-add2020/csadd19-2020.pdf