

Thinking of an Import Substitution Policy: Shri Nitin Gadkari (05-05-2020)

Union Minister for MSME and Road Transport and Highways, Shri Nitin Gadkari today informed that a policy on imports substitution is being thought of in the wake of the new economic situation created by COVID-19 pandemic.

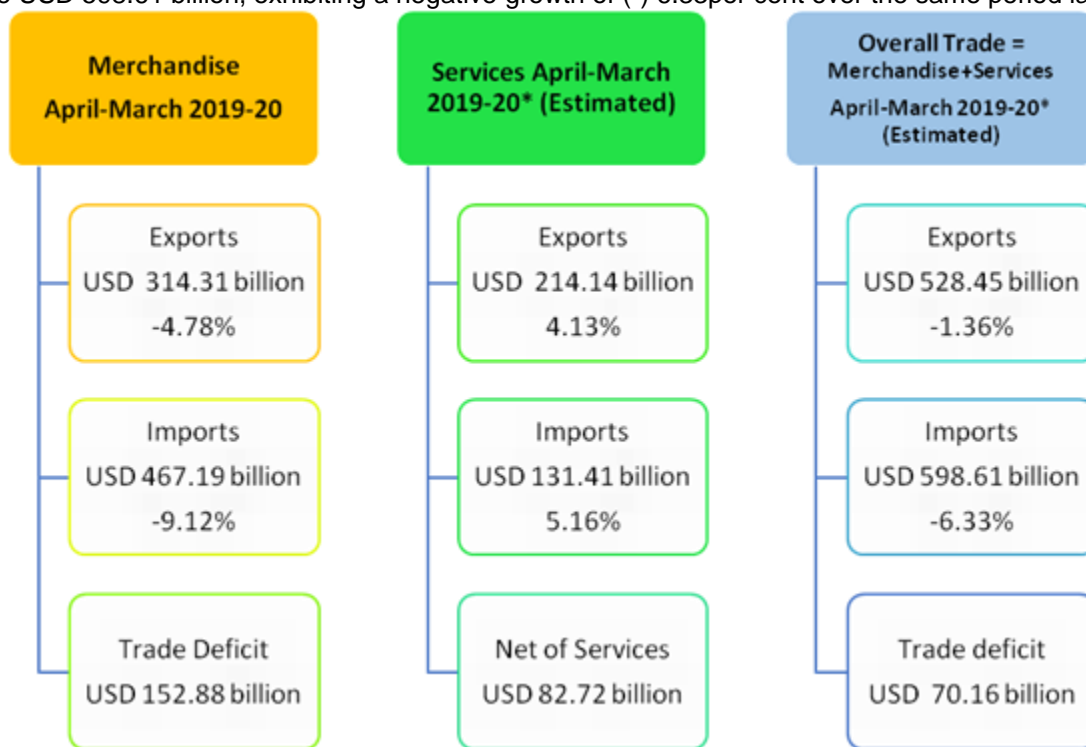
He mentioned that there is need to focus on import substitution to replace foreign imports with domestic production. He added that industry should focus more on innovation, entrepreneurship, science and technology, research skill and experiences to convert the knowledge into wealth by improving quality through innovations and cutting down cost.

He cited the example of a Nagpur based MSME Orange cluster taking up Personal protection equipment (PPE) making from scratch. These PPEs cost between Rs 550 to Rs 650 against the market price of about Rs 1200 for which country was heavily import dependent.

Currently India is heavily import dependent of Ventilators, PPE , COVID Test Kits & Face & Surgical Masks. Now Govt is encouraging domestic production due to shortage at world level.

INDIA'S FOREIGN TRADE

India's overall exports (Merchandise and Services combined) in April-March 2019-20 are estimated to be USD 528.45 billion, exhibiting a negative growth of (-) 1.36 per cent over the same period last year. Overall imports in April-March 2019-20 are estimated to be USD 598.61 billion, exhibiting a negative growth of (-) 6.33per cent over the same period last year.



India should cut imports of items that it can produce at home.

Import substitution policy

Means replacing or substituting foreign imports with domestic production.

Industries would be encouraged to produce them in India itself. In this policy the government protect the domestic industries from foreign competition. Protection from imports took two forms: tariffs and quotas.

Tariffs are a tax on imported goods; they make imported goods more expensive and discourage their use.

Quotas specify the quantity of goods which can be imported.

The effect of tariffs and quotas is that they restrict imports and, therefore, protect the domestic firms from foreign competition.

As we liberalised trade, we produced and exported more and more of those products for which our production costs were lower than our trading partners and imported more and more of the products for which our production costs were higher.

There is no wisdom in producing at home products that we can buy abroad at lower cost using our export earnings.

In line with "Make in India" initiative of the Government, and to provide level playing field, ensure better capacity utilization and achieve import substitutions, custom duty were increased by Govt on various goods like electrical/electronics/telecom equipment and hardware.

Further, to reduce input costs customs duty was reduced on certain goods like specified parts for manufacture of electric vehicles.