India needs to break out of the import substitution trap before it can become an export powerhouse. Do you agree with this view? Comment.

Import substitution refer to increasing tariffs of import items to discourage imports thereby promoting domestically produced items in the nation.

India and import substitution trap:

1. India has large current account deficit due to more imports than exports.
2. Thus India through Atmanirbhar Bharat - promotes MSME and entrepreneurship to promote domestic production thereby reducing the deficit in trade policy.
3. This resulted in exclusion of India from RCEP which focus on free trade and talks on BTIA with Europe face hardship leading to reduced export acceptance by

other free trade policy countries called as Import Substitution trap.

India and its exports:

1. The Trade Policy 2015 focus upon doubling exports by 2020 on apparel & ~~electrons~~ electronics as per DGFT, but requires itself to accept imports from Europe, Japan & South East to have balanced trade.
2. Ease of doing business – World Bank focus India towards free trade policy and privatization investment inorder to be under top 50 which necessitates to overcome import substitution.
3. EXIM bank pumped ₹500 crore towards producers & exporters for foreign trade; But China is focused towards trade with India if it opens towards importing electronic equipments into India.

Conclusion: India has the potential towards 5 Trillion economy by 2024 through export powerhouse if there is a better understanding between nation rather than protective economy.