

Frequency of Trade Obstacles for India's Micro, Small and Medium Enterprises

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Abstract
The Micro Small and Medium Enterprises (MSMEs) have emerged as the major export driven markets in India. The constant improvement of MSMEs exports and its contribution to GDP for last two decades was most significant. The MSMEs performance not only in production and export growth but also in the employment generation was appreciable. It results further the MSMEs capability has increased to compete in the international markets. But, the MSMEs sector attempt to internationalyse, often encountered trade obstacles. Therefore, this paper identifies the frequency of trade obstacles imposed by the major countries on the specified products. The results of the analysis revealed that exports subjected to affect trade barriers was high in the products of food & allied products, cotton & textiles, chemicals, industrial goods, engineering and electrical goods. The countries such as USA, EU, UAE, Japan, Canada, Australia and Turkey were likely to impose trade barriers more systematically. The highest frequency of trade barriers on MSME products were standards followed by customs, import restrictions, labeling and anti-dumping. Therefore, it is essential to eliminate the existing trade obstacles and sustain the business environment that reinforces the international competitiveness of MSMEs.
Keywords: Micro, Small and Medium Enterprises, export growth, gross domestic product, employment, international markets, trade obstacles.

Introduction

Micro, Small and Medium Enterprises (MSMEs) have emerged as the important export driven markets in Indian economy. MSMEs were acknowledged globally as the prime movers of growth and employment. Over the years, the MSMEs exports have been increasing constantly and its share of contribution to Gross Domestic Product (GDP) was most significant. The capability of MSMEs gradually increased to compete in the international markets. The process of liberalization and global market integration has opened up wide opportunities for the MSMEs sector. The MSMEs not only played crucial role in providing employment opportunities but also helped in industrialization of rural and backward areas. In view of these factors, MSMEs recognized the important sector for achieving national objectives of growth and inclusion. But, the MSMEs sector attempts to internationalise, often encountered substantial trading obstacles. These obstacles were complex and emanating from the larger business environment in which MSMEs operates. Most of the MSME products were unable to enter the international markets due to their inability to overcome these obstacles. It is therefore, essential to remove the existing trade obstacles and sustain a business environment that reinforces the international competitiveness. The main objective of this study is to identify the various types of trade obstacles affecting MSMEs to international markets and to find out the solutions to overcome the obstacles. This study estimates the frequency of trade obstacles for different commodities at various countries. The study also suggests the policy options and formulation of strategies for trade expansion of MSMEs.

Methodology

To look into the issue of trade obstacles faced by the MSMEs in developed markets, this study has been used two approaches: (1) It measures the incidence of trade obstacles applicable to MSMEs exports in the particular product by different countries specified, and (2) It measures the frequency of trade obstacles, in which it assess the particular trade barrier has the highest frequency. It is important to note that while the first approach we are looking at the 'Commodity Coverage Index' (how many products of exports in the product group is affected by trade obstacles) and 'Export Coverage Index' (how much of exports of a country in the particular product group are affected by trade obstacles), is expressed as a percentage. In the second approach, the study estimates the 'Frequency of trade obstacles' from the perspective of the exports to developed countries. The analysis has been carried out during the period 1995-2015. Despite the limited availability of data on trade barriers, the analysis carried out on two distinct lines. First the study sought to identify the type of trade obstacles facing by India's MSME exports in developed country markets, and then it examines which products and how much exports are affected by the existing trade barriers. The measurement has classified into three sets:
Set-1: Commodity Coverage Index (CCI)
Commodity Coverage Index (CCI_g) can be computed as follows:
$CCI_g = (N_p/N_t) \times 100$
Where CCI_g is the Commodity Coverage Index of item g,

N_P is the number of products subject to reported trade barriers in the given commodity group, and N_t is the total number of commodities in that group.
The lowest in index value leads to increase in exports. At the same time the highest in index value influences reduce the volume of exports.
Set-II: Export Coverage Index (ECI)
Export Coverage Index (ECI_j) is computed as
$ECI_j = (R_p/R_t) \times 100$
Where ECI_j is Export Coverage Index of j commodity,
R_p is the value of exports subject to reported trade barriers in the given item 'p' product group in the year under consideration, and R_t is total value of exports of commodities in that class.
It is assumed that the lowest in index value will lead to increase in exports whereas the highest in index value reduces the volume of exports.
Set-III: Frequency Index (FI) of trade obstacles
Frequency Index (FI_k) of trade obstacles can be computed as follows:
$FI_k = (F_a/U_e\text{-}L_e)$
Where FI_k is the frequency of trade barrier k,
F_a is a relative frequency of commodity a,
U_e is the upper extreme of total commodity group, and
L_e is the lower extreme of total commodity group.
The lowest value in index will lead to increase in exports. The highest index value indicates reduce the volume of exports.

Data Sources
The present study is based on the data available in published documents and databases. Basically data on trade barriers were extremely dated (not updated) and also limited, particularly in developing countries like India. It is even more difficult to obtain consistent information on trade barriers. Despite these limitations, the secondary data sources used in the present study are as follows:

- Ministry of Micro, Small and Medium Enterprises (MoMSME), Government of India
- Ministry of Commerce and Industry (MoCI), Government of India
- Directorate General of Commercial Intelligence and Statistics (DGCI & S)
- Directorate General of Foreign Trade (DGFT)
- Customs Tariffs of India, Government of India
- Country tariff schedule of India, World Trade Organisation (WTO)
- Small Industries Development Bank of India (SIDBI)
- Small Industries Development Organisation (SIDO)
- Annual Survey of Industries (ASI), Ministry of Statistics and Programme Implementation (MoSPI)
- Asia Pacific Trade and Investment Report, Economic and Social Commission for Asia and the Pacific (ESCAP)
- Economic Survey, Ministry of Finance, Government of India
- Handbook of Statistics on Indian Economy, Reserve Bank of India (RBI)
- World Investment Report, UNCTAD (United Nations Conference on Trade and Development)
- Doing Business, World Bank

Export performance of MSMEs
It is quite evident that the MSMEs sector has occupied a major portion in the Indian economy resulted by its extensive export growth, GDP contribution and employment generation. The notable performance of MSMEs influenced by the economic policies adopted by India since the Industries Development and Regulation Act 1951[1], which laid stress on MSMEs as a means to improve their conditions. Further, MSMEs had consistently registered a higher growth rate than the rest of the industry. This might be possible in a conducive policy environment in order to keep pace with the liberalization era[2]. The Ministry of Micro, Small and Medium

[1] The Industries Development and Regulation Act enacted in 1951 and provide the conceptual and legal framework for industrial development in India. Under this Act, Section 11-B provides the power to specify the definition of small and medium scale industry in consideration of factors relating to investment of unit in fixed assets, nature of ownership, number of workers employed, cost and quality of products etc. Section 29-B provides for reservation of products for exclusive production in the small scale industry.
[2] The Government of India started the economic liberalisation policy in 1991. Before 1991, changes within the industrial sector were modest. Post 1991, a major restructuring has taken place with the emergence of more technologically advanced segments among industries. Another major benefit of the liberalization era has been the shift in the pattern of exports from

Enterprises (MoMSME)[3], Government of India, was the administrative body for all matters relating to MSMEs. The Indian Government also had set up a governing body for promotion and development of MSMEs through MSME Development Act[4]. With the enactment of this act, the sector emerged as the most significant player in the Indian economy. Of the total working enterprises, the proportion of micro, small and medium enterprises were 94.94 per cent, 4.89 per cent and 0.17 per cent respectively. This comprises of 66.67 per cent of manufacturing enterprises and 33.33 per cent service enterprises. According to the 4th All India Census of MSMEs (2006-07), there were a total number of 2.61 crores MSMEs include 0.15 crores registered units and 2.46 crores unregistered units. The units are largely in apparel (14.03 per cent) followed by food products and beverages (13.53 per cent) and maintenance of personal and household goods (9.25 per cent). MSMEs contribute 8 per cent of the country's GDP. In terms of the value, the sector accounts for about 45 per cent of the manufacturing output and 40 per cent of total exports of the country. As per the recent data, the MSMEs were providing employment to an estimated 80 million persons. Among the industry groups, food products generate the highest percent of employment followed by non-metallic mineral products and metal products. There were over 8,000 products ranging from traditional to high-tech items, which are being manufactured by the MSMEs. Among the sectors, food products accounted the highest percent followed by chemical products, basic metals and metal products, electrical & machinery parts and rubber & plastic products. The United States of America (USA) and the countries of European Union (EU) which together account for 60 percent of the India's total exports.

Table 1 presents the snapshot of trade expansion to international markets during the period 1995-96 to 2014-15. When exploring MSMEs exports to developed markets, trends were similar but growth rates steeper. Over the years, the exports of MSMEs products from India to major developed countries increased tremendously which was accompanied by the incorporation of a large number of new products in MSMEs sector. But the remarkable trade expansion was begun in 2006-07. However, the composition of exports differs between destinations. Exports from India to EU have increased from US$ 3,483 million in 1995-96 to US$ 26,872 million in 2014-15 with the compound annual growth rate of 10.8 per cent. Regarding other market destinations India exports to USA in 2014-15 were US$ 16,886 million up from US$ 2,208 million in 1995-96. India exports to Canada increased during the same period by US$ 966 million, about 11.6 per cent on average per year. It can be noticed from the above results, the decline in India's exports to China and Indonesia particularly during the period 1997-1999 indicates that the Association of Southeast Asian Nations (ASEAN) financial crisis (1997-98) which was slightly sparked downturn for Indian MSMEs sector. It was illustrating the highest compound growth rate was observed in the countries like China, United Arab Emirates (UAE), Saudi Arabia, and the EU during the period 1995-96 to 2014-15. The lowest growth was registered in the countries like Japan, Indonesia and Australia. However, these countries occupied the significant space in the list of major destinations by its successful trade related ties with India in recent years.

traditional items like cloths, tea and spices, automobiles, steel and information technology etc. But, MSMEs, the heart and soul of many towns and villages have been virtually ignored. More than half of them have closed down in the face of intense competition from multinationals who have unmatched financial and political muscle. But post liberalization period took incremental change in food products and beverages, manufacture of textiles, manufacture of wearing apparel and retail trade. In post liberalization there was a marginal structural change in MSMEs.

[3] Under the Allocation of Business Rules 1961, by which, Ministry of Agro and Rural Industries and Ministry of Small Scale Industries have been merged into a single Ministry, namely 'Ministry of Micro, Small and Medium Enterprises (MoMSME).

[4] The MSME Development Act came into existence on 2nd October 2006. A major component of the act talks about the marketing assistance and export promotion support by the government. It is a legal framework for development and enhancing competitiveness. The act was notified to address policy issues affecting MSMEs as well as the coverage and investment ceiling of the sector. The salient features of the act include setting up National Board, classification of enterprises, advisory committees to support MSMEs, measures for promotion, development and enhancement of MSMEs, schemes to control delayed payments, and the enactment of rules by state governments to implement the MSME Act in their respective states.

Table 1: India's MSMEs exports to major countries in the world market (US$ million)

Year	EU	Canada	USA	Australia	Japan	Indonesia	Saudi Arabia	UAE	China
1995-96	3,483	122	2,208	150	886	265	193	571	133
1996-97	3,462	141	2,622	154	802	237	231	590	246
1997-98	3,658	173	2,721	175	759	175	276	677	287
1998-99	3,579	189	2,880	155	661	74	310	747	171
1999-00	3,753	231	3,358	161	674	130	297	833	216
2000-01	4,164	263	3,722	162	718	160	329	1,039	333
2001-02	3,938	234	3,405	167	604	214	331	997	381
2002-03	4,609	279	4,358	202	746	330	376	1,331	790
2003-04	5,556	305	4,596	234	684	451	449	2,050	1,182
2004-05	7,016	347	5,506	288	851	533	565	2,939	2,246
2005-06	8,954	409	6,941	329	993	552	724	3,437	2,704
2006-07	10,303	444	7,547	370	1,145	811	1,035	4,813	3,318
2007-08	13,144	506	8,285	460	1,542	864	1,483	6,251	4,332
2008-09	14,558	565	9,172	501	1,609	946	1,735	7,514	5,663
2009-10	16,124	630	10,154	547	1,679	1,036	2,029	9,033	7,403
2010-11	17,858	703	11,241	596	1,752	1,135	2,374	10,859	9,678
2011-12	19,779	784	12,445	649	1,829	1,243	2,777	13,054	12,653
2012-13	21,906	875	13,778	708	1,908	1,361	3,249	15,692	16,541
2013-14	24,262	976	15,253	772	1,991	1,491	3,801	18,864	21,623
2014-15	26,872	1,088	16,886	841	2,078	1,633	4,446	22,677	28,268
Compound Growth Rate	10.8	11.6	10.7	9.0	4.4	9.5	17.0	20.2	30.7

Source: Calculated from the data compiled from Directorate General of Commercial Intelligence and Statistics (DGCI&S).

Product-wise exports: Table 2 presents the MSMEs product group exports to major destinations in the world. The countries like USA, EU and Canada were a potential markets for exporting readymade garments, food processing and engineering & electronic items. Whereas the countries like Japan and China have emerged as major export markets for engineering, electrical, marine products, woolen knitted items and chemicals. Australia and Germany have emerged as the potential markets for sports and leather products. For chemical product groups, plastic and synthetic items, Saudi Arabia, France, Italy and Turkey emerged as major markets. Likewise, Hong Kong, Singapore and France have emerged as the potential markets for engineering and electrical items including chemical products. The countries like United Kingdom (UK), UAE and Italy were the major export destinations for the products of tea and coffee. The countries like Japan, USA and China were the major export destinations of marine products, but China was getting major priority in the recent years and Japan deteriorated its export potential over the years. Most of the leather and manufactures of Indian MSMEs was exported to Germany, Italy, UK, USA, and Hong Kong. MSMEs exports to the US, China, Germany and UK are also more concentrated in chemicals and allied products. Meanwhile, the countries like Hong Kong and Italy was reporting the lowest level of chemical exports. The USA, Italy and Republic of Korea were the major export partners of cotton yarn, fabrics and made ups. Overall, the export growth maintains fluctuations over the years and also showing declining trend in the recent years against the backdrop of trade obstacles.

Table 2: India's major MSMEs product group exports to important destinations at world market (US$ million)

Country Name	1995	2000	2005	2010	2015
Marine Products					
China	5	46	60	122	331
Hong Kong	9	10	17	29	41
Italy	22	12	19	31	34
Japan	167	204	102	98	83
UAE	40	28	22	20	16
UK	22	24	32	36	42
USA	39	96	141	106	145
Leather and Manufactures					
France	35	35	56	94	128
Germany	160	122	143	204	220
Hong Kong	24	39	101	151	268
Italy	88	95	123	227	305
Spain	20	40	79	117	203
UK	79	106	134	193	255
USA	118	137	124	123	125
Chemicals & allied products					
Brazil	10	47	94	287	820
China	14	56	227	624	2042
Germany	75	86	183	355	576
Hong Kong	38	63	32	25	22
Italy	26	48	79	183	337
Netherlands	40	58	108	217	368
UAE	26	66	111	223	436
UK	51	59	143	264	441
USA	111	178	477	1287	2769
Engineering Goods					
Germany	83	113	337	978	2115
Hong Kong	56	89	127	209	315
Italy	30	79	261	1021	3074
Malaysia	53	97	149	481	958
Singapore	112	126	469	1099	2242
UAE	109	178	734	2002	4971
UK	128	172	431	861	1561
USA	241	489	1358	3265	7373
Cotton Yarn, Fabrics, Made-ups, etc.					
Germany	65	57	58	63	62
Hong Kong	48	82	36	18	14
Italy	52	61	92	95	115
Japan	38	43	35	33	32
UAE	32	44	48	45	50
UK	94	78	59	54	46
USA	129	213	333	448	662
Readymade Garments					
Canada	49	94	110	116	153
France	105	140	256	346	503
Germany	180	142	271	395	505
Italy	50	63	153	216	341
Japan	47	46	47	40	38
Netherlands	64	63	117	177	243
UAE	47	217	179	404	792
UK	145	162	378	617	969
USA	456	738	1141	1364	1922

Tea					
Germany	9	8	10	12	12
Japan	3	4	6	7	9
UAE	16	24	22	32	40
UK	15	18	20	25	30
USA	4	9	13	20	34
Coffee					
Germany	17	12	14	13	12
Italy	24	11	33	53	69
UK	2	2	1	1	1
USA	20	7	2	3	1

Source: Calculated from the data compiled from Directorate General of Commercial Intelligence and Statistics (DGCI&S).

Frequency of trade obstacles

By its less capital intensive and high labour absorption nature, MSMEs have made significant contribution to rural industrialization. However, the bugbear of the sector has been the inadequacies in capital, technology, inadequate exposure to international environment, market access, lack of professionalism, lack of cooperation with large firms and existing trade barriers. In spite of these limitations, MSMEs in India have made significant contribution towards output, employment generation and exports. In India, MSMEs are more export competitive as compared to their large counterparts. But, the existing trade obstacles adversely affected their performance. These obstacles have the strong effect of restricting trade between countries. Generally, MSMEs used to face key challenges in international markets include recognition of product standards, business and occupational licensing, inefficient legal systems, customs procedures, business travel, regulatory hassles both at the entry and exit stages, insufficient export infrastructure, documentation, customs and administrative procedures, quantitative restrictions, labeling requirements, import restrictions, standards, environmental restrictions, rules of origin, inspections, sanitary and phyto-sanitory (SPS) measures, anti-dumping, registration, licensing processes, high transaction costs, public procurements, certification etc. These barriers were tightly connected with administrative activities and influence prices, quantity and direction of international flows of goods and services. These barriers were practiced by the countries like USA, EU, Canada, Australia, Turkey, UAE, Japan and Saudi Arabia etc.

Commodity Coverage Index (CCI)

Product-specific trade barriers were very important for the formulation of export strategies. Table 3 contains the frequency ratios for MSMEs product categories by determining the each commodity affected by trade barriers. The incidence of trade barriers was measured by the use of Commodity Coverage Index (CCI). In the USA, the MSMEs product groups that most frequently hampered by trade obstacles were food & allied products (33.3 per cent), engineering and electric goods (16.7 per cent), and cotton & textiles (11.1 per cent). The highest frequency value indicates later it reduces the volume of exports to the concerned country. In the group of food and allied products, around 57.9 per cent of exports to EU, 33.3 per cent to Saudi Arabia, 22.2 per cent to Australia and 15.79 per cent to China were subjected to affect trade barriers. The lowest index value recorded in the same products for the countries like Japan and Indonesia influenced highest share of imports from India. In the overall analysis the sectors with highest frequency recorded in the food products, cotton & textiles and engineering & electrical goods. These results shows that the most important products group like paper products was facing low frequency to the countries like USA, EU and Indonesia and it may leads further increase the volume of exports. The EU is seen to have the highest listed barriers for a large number of items compared with USA and other countries. The multiple barriers affected by the EU, and most of these items, among food items, engineering & electric goods, and chemical & chemical products. Apart from these commodities, cotton & textiles and industrial goods also have more frequently affected by EUs trade barriers than others. The commodities like cotton and textiles faced the highest frequency with Japan, EU and Turkey, covering 33.3 per cent, 22.2 per cent and 22.2 per cent respectively. In industrial goods, the frequency of trade barriers applied by USA is lesser than EU and Turkey. The results indicate that the frequency is high for the food products than any other since they are subject to affected by standards, documentation, customs, import restrictions and documentation etc. It is important to note that the frequency indicates not only the incidence but also the impact of barriers on expansion of trade. An important note of caution needs to be mentioned here, a value of 0 (zero) in the frequency table indicates data not available or no incidence of trade barriers. The frequency ratio for engineering and electrical goods was highest in EU followed by USA and China. It influences the exports of engineering and electronic goods to USA and China may increase further. It appears in the countries such as Turkey and Japan the highest

frequency ratio was observed especially in the products of rubber & plastics. The frequency of occurrence of various types of barriers in the countries such as USA, EU and China for the product group of tobacco indicates the possibility of increase in export share is very less. With lowest frequency the countries such as Indonesia and UAE may import highest amount of goods from India in the same product. The marine products facing low frequency of barriers with its major export destinations like USA and EU and it leads more exports in future.

Table 3: Commodity Coverage Index

Commodity	USA	EC	Indonesia	China	Japan	Saudi Arabia	Australia	Turkey	UAE	Canada
Food, agriculture, animal & allied products	33.30	57.90	10.50	15.80	10.50	33.30	22.20	11.10	0.0	0.0
Paper products	10.00	10.00	10.00	0.0	0.0	0.0	0.0	0.0	0.0	10.00
Cotton and Textiles	11.10	22.20	0.0	0.0	33.30	0.0	0.0	22.20	0.0	0.0
Industrial goods (Iron, steel and metal products)	10.00	20.00	0.0	0.0	0.0	0.0	0.0	20.00	0.0	0.0
Engineering and electrical goods	16.70	50.00	0.0	16.70	0.0	0.0	0.0	0.0	0.0	0.0
Tobacco	6.70	6.70	0.0	6.70	0.0	0.0	0.0	0.0	0.0	0.0
Marine products	6.70	6.70	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Chemical and chemical products	0.0	40.00	10.00	0.0	0.0	0.0	0.0	0.0	10.00	0.0
Rubber & plastics	0.0	0.0	0.0	0.0	25.00	0.0	0.0	50.00	0.0	0.0

Source: Computed from the data compiled from Ministry of Commerce & Industry (MoCI).

Export Coverage Index (ECI)

How much exports are subjected to affect trade barriers is estimated by the use of export coverage index. The frequency of trade barriers applied by UAE is around 0.45 per cent for tea exports followed by Japan (0.38 per cent), USA (0.18 per cent) and UK (0.17 per cent) (see Table 4). In relative terms, the really significant incidence is to be found in coffee products, where the highest export coverage was recorded in the case of Italy. It can be noted from the results the lowest in export coverage index in the countries such as UK and USA influences the increase more exports in future. The large part of rice exports to Saudi Arabia (16.4 per cent) subjected to affect trade barriers leads decline in volume of exports. About 0.25 per cent of rice exports to USA, 0.24 per cent to UK subjected to affect trade barriers indicates further improvement in exports. Nearly 0.35 per cent of tobacco exports to UAE, and 0.34 per cent to Saudi Arabia subjected to trade barriers. The share of oil meals exports facing trade barriers in the Indonesia and Japan were 9.79 per cent and 5.25 per cent respectively. About 6.98 per cent of marine product exports to Germany and 1.54 per cent to China faced core trade obstacles and further the volume of exports likely to decline to these countries (see Table 5). The inference was that a very high percentage of exports from India to USA and EU face hurdle in the form of barriers. In leather exports, the frequency of barriers applied by Germany and USA was high, affecting 1.48 per cent and 1.46 per cent of exports. The export coverage index of chemical products in USA tells us around 9.81 per cent of exports is subjected to trade barriers, higher than China (7.05 per cent), UAE (2.39 per cent), and Germany (2.01 per cent). However, a little more than 1.47 per cent of exports subjected to restricted in UK also, while around 1.19 per cent of total exports was carried through trade barriers in Netherlands. It might be decide that the exports of leather products will decline in the coming years. Around 24.17 per cent of engineering goods exports to USA and 18.55 per cent of total exports to UAE were subjected to affect trade barriers.

Table 4: Export Coverage index

Country	Tea	Coffee	Rice	Tobacco	Spices	Cashew	Oil meals
Germany	0.08	0.11	0.0	0.08	0.13	0.0	0.0
Japan	0.38	0.0	0.0	0.0	1.01	0.63	5.26
U.A.E.	0.45	0.0	2.41	0.36	0.34	0.44	0.0
U.K.	0.17	0.01	0.24	0.05	0.17	0.06	0.0
U.S.A	0.18	0.05	0.25	0.09	1.00	0.96	0.0
Italy	0.00	0.35	0.0	0.0	0.0	0.01	0.0
Saudi Arabia	0.0	0.0	16.43	0.34	0.62	0.46	0.0
Canada	0.0	0.00	0.0	0.0	0.0	0.23	0.0
France	0.0	0.0	0.0	0.0	0.0	0.05	0.0
Indonesia	0.0	0.0	0.0	0.0	0.0	0.0	9.80
Belgium	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Netherlands	0.0	0.0	0.0	0.0	0.0	0.0	0.0
China	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Spain	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Australia	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: Computed from the data compiled from Ministry of Commerce & Industry (MoCI).

The highest export coverage index for readymade garments was observed in Canada followed by the USA (13.41 per cent) and UAE (4.31 per cent). The analysis of data on ECI shows that 0.55 per cent of jute exports from India to Australia and 0.41 per cent to Saudi Arabia were facing various types of trade barriers. Around 1.56 per cent of carpet exports to Australia and 1.37 per cent to Canada was affected by trade barriers. The results tell us the highest share of exports facing multiple barriers in the USA; these are engineering goods (24.17 per cent), readymade garments (13.41 per cent) and chemicals (9.81 per cent). A glance at these results show the comparison of indices of trade barriers, the commodity coverage and export coverage ratios was nearly the same for the countries like USA and EU. It indicates that the core trade barriers considered in the study in these countries were applied and concentrated on those commodity groups taking greater weights in their export structures. In this context, it should be noted that the indices are not comparable because the incidence of barriers on the value of exports will depend upon the type of barriers and product categories. The important messages were evident from the table that the frequency of trade barriers was generally higher for food, agriculture, animal & allied products, cotton & textiles, engineering & electrical goods, chemicals, rubber and plastics. The countries like USA, EU, China, Japan and Turkey were imposing the higher frequency of trade barriers than other countries.

Table 5: Export Coverage index

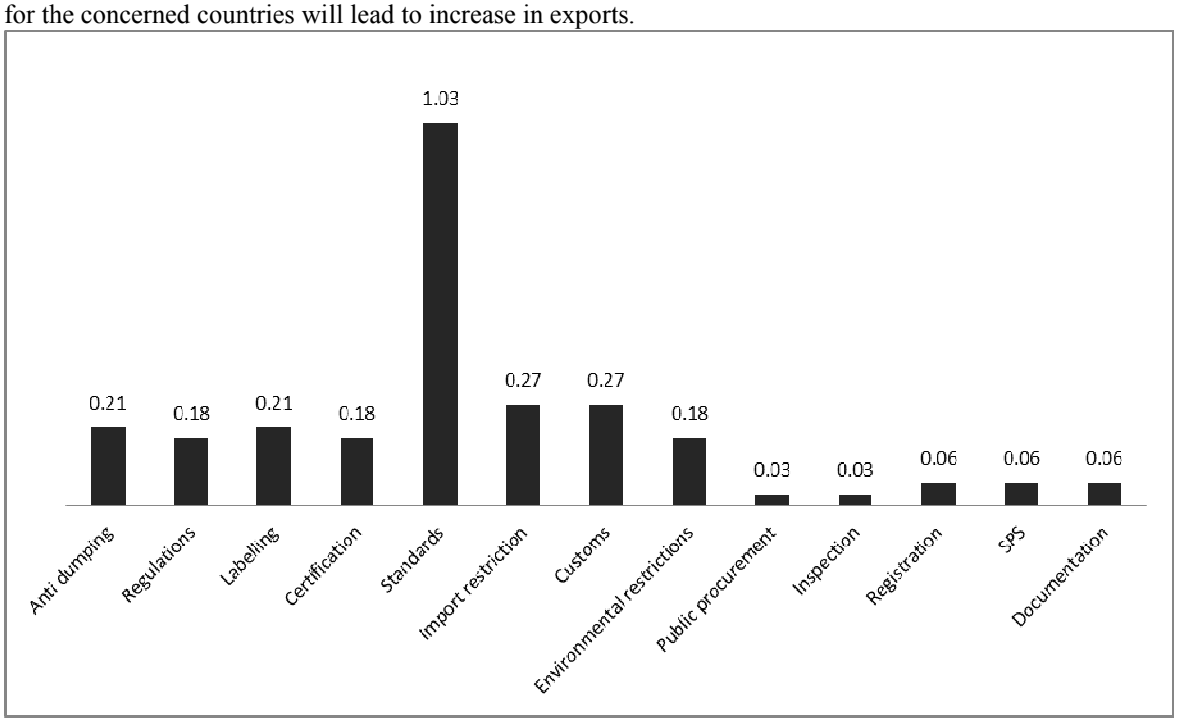
Country	Marine products	Leather	Chemicals	Engineering goods	Cotton	Readymade garments	Jute	Carpet
Germany	0.0	1.48	2.01	4.68	0.48	2.59	0.04	0.43
Japan	6.99	0.0	0.0	0.0	2.21	2.64	0.18	0.28
U.A.E.	0.38	0.0	2.39	18.55	0.67	4.32	0.0	0.0
U.K.	0.25	1.24	1.48	4.58	0.45	3.58	0.09	0.16
U.S.A	1.06	1.47	9.82	24.17	4.28	13.41	0.34	1.72
Italy	0.22	1.45	0.97	4.01	0.65	1.25	0.03	0.09
Saudi Arabia	0.0	0.0	0.0	0.0	0.0	0.0	0.41	0.0
Canada	0.0	0.0	0.0	0.0	0.0	19.64	0.0	1.38
France	0.0	0.59	0.0	0.0	0.0	2.11	0.0	0.05
Indonesia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Belgium	0.0	0.0	0.0	0.0	0.0	0.0	0.06	0.0
Netherlands	0.0	0.0	1.20	0.0	0.0	1.11	0.0	0.0
China	1.54	0.0	7.06	0.0	0.0	0.0	0.0	0.0
Spain	0.0	0.64	0.0	0.0	0.0	0.0	0.0	0.0
Australia	0.0	0.0	0.0	0.0	0.0	0.0	0.56	1.57

Source: Computed from the data compiled from Ministry of Commerce & Industry (MoCI).

Frequency Index for Trade Obstacles

Figure 1 illustrates the frequency of trade obstacles for MSMEs products in various export destinations at global level. The trade obstacles with higher frequency were standards and customs which accounts for almost one-

third of the total incidence of obstacles. The three most prominent barriers were standards, customs and import restrictions responsible for 1.03, 0.27 and 0.27 of frequency. The frequency of barriers also exhibits that the lower values in the index reported in the case of inspection, public procurement, registration and documentation for the concerned countries will lead to increase in exports.



Source: Computed from the data compiled from Ministry of Commerce & Industry (MoCI).

Figure 1: Frequency of Trade Obstacles

India's trade agreements with major countries and resolving status

In the recent period, India is actively pursuing Free Trade Agreements (FTAs) as part of its trade policy. India has signed a trade policy forum with USA and simultaneously signed a FTA with EU countries. The USA has actively sought market-opening opportunities in India, both bilaterally and multilaterally. There is a possibility to resolve the existing barriers to soon. India also signed an ASEAN-India regional trade and investment and India-Indonesia comprehensive economic cooperation agreement to secure its commodities from the trade barriers, it is currently in the process. The India-China FTA is not on the cards, if it will come into force, while FTA would certainly imply a reduction in barriers. India and Japan emerged as a major trade partners in the recent period with the focus of India-Japan economic partnership agreement. The negotiations on trade obstacles taken place in the regular meetings. It can be hope the issue of tariffs and trade barriers to solve soon. Indian products that have been experiencing trade obstacles by Australia are mainly standards. The process of negotiations between India and Australia through India-Australia FTA could be solved the existing problems. The India-Turkey FTA to be solved the barriers faced by the MSME products of textiles, tea, rubber and metal products. India also had the economic cooperation agreement with Canada. The paper products mainly affected by Canada's trade barriers, however, it can be solved soon.

SWOT Analysis for India's MSMEs Sector

SWOT analysis is the strategic planning method used to evaluate the strengths; weakness, opportunities and threats (SWOT) for the Indian MSME sector. The analysis was also helpful to identify the problem areas and to create business strategies. It includes current influences (based on strengths and weaknesses) and potential future development (based on opportunities and threats).

Strengths
Emerged as the major contributor to Indian economy
Major generator of employment
Vast product diversity and occupied the significant share in total industry
Increased exposure at global market
Technological innovation and up gradation
Expansion of export market
Weakness
Lack of marketing & managerial skills and latest technology
Unable to meet international standards
Unable to eliminate trade obstacles
Unable to compete with large firms and Multi National Corporations (MNCs)
Lack of strategic planning
Low level of modernisation and up gradation
Resources are insufficient to meet requirements
Opportunities
Enhancing credit support from banks and financial institutions
Demand at global markets
High aspirations
Series of negotiations with developed country markets
Growth driver in near future
New product ideas, product promotion and advertising
Cooperation with large firms
Broad based consensus with international institutions and policy makers
Level playing field
Bilateral, multilateral and regional trade agreements
Threats
Trading obstacles from developed countries
Distrust between MSMEs and financial institutions/banks/large firms
High competition from large firms and MNCs

Conclusion and Strategies

In overview of the analysis, export promotion from the MSMEs sector has been accorded high priority in India. At the same time it was a principal need to secure MSMEs from the high incidence of trade barriers. At global level, developed countries are more abundant users of trade barriers to keep out MSME exports from the developing region. The incidence of these barriers in some way is considered as welfare reducing. Apart from these barriers, other constraints faced by the MSMEs in the domestic environment include product reservation, insufficient finance on affordable terms, cultural differences, lack of support from banks, inflexible labour markets and insufficient export infrastructure. These problems impair exports, and place MSMEs at a disadvantage compared to larger firms. What's next for Indian MSMEs? The picture that emerges from the analysis of trade barriers faced by Indian MSMEs in the foreign markets, especially in the EU, USA, UAE, Japan, Canada, Saudi Arabia and others was not an optimistic one. The Indian products continue to be faced by a variety of restrictions in the form of standards, customs procedures, anti-dumping, import restrictions and environmental restrictions etc. The question now is how the Indian policy makers should respond to these challenges. The way forward, it may appear to be, through a multi-pronged approach. Removal of barriers should climb to the top of agenda. Government and policy makers should insist that any negotiations on market access are acceptable only on a precondition that all barriers be removed under a fast track approach. This can be a powerful negotiating stand of India in the ongoing trade negotiations. Indian MSMEs should restructure themselves to withstand the present challenges and implement remedial measures to overcome the existing barriers. Apart from conducive policies, there is an urgent need for simplified legal and regulatory framework, good governance, accessible finance, suitable infrastructure, entrepreneurial skill development, technology up gradation, competitive environment, adequate institutional framework and efficient administrative system would facilitate restructuring of MSMEs. The USA and India signed a 'Framework for Cooperation on Trade and Investment' in 2010. This agreement strengthens bilateral cooperation and seeks to build on rapid growth in USA-India trade. In the first significant step taken under the frame work, announced the launch of an initiative called' Integrating US and Indian Small Scale Industry (SSI) business into global supply chain, which will expand trade and job opportunities for the US as well as Indian firms, especially MSMEs. This framework should make an umbrella mechanism for the trade policy especially for Indian MSMEs. The government and business associations should play a significant role in assisting MSMEs to meet the challenges of

internationalization. Government should make competitiveness and complementarities for MSMEs products at global level by facilitate and promote technical and financial assistance. Governments should review and adopt best practices to find the models and create mechanisms that encourage MSMEs to become active participants at global level. It is also a greater need to create framework for dealing with trade obstacles through bilateral trade agreements. Technology up-gradation, innovation and infrastructure development are the important ways for MSMEs in maximizing business opportunities. Cooperation with larger firms can help MSMEs to achieve the economies of scale needed to meet foreign customer demand. By implementing these strategies, Indian MSMEs can make significant progress in trade expansion and will become major drivers of industrial development in the near future.

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