

OUTLOOK BUSINESS

January 2025 | ₹100 | www.outlookbusiness.com

THINK BEYOND. STAY AHEAD.

FREE
OUTLOOK
PLANET
BOOKLET
INSIDE



Chasing Tech Sovereignty

India's aspiration to become a developed economy hinges on its ability to make critical technologies, but big challenges remain

• Interview with **Jyotiraditya Scindia**



Interview with
**Rajyavardhan
Singh Rathore**

• PG.86

Why lack of storage
is hampering green
energy push

• PG.88

Instead of Dairy

Having decided on not giving up dairy, the Union government has arrived at trading on SMEs and sustainable food instead. The department of commerce has recently confirmed that negotiations with the EU on sustainable food systems and SMEs have already concluded. But some experts feel that opening up these sectors is not without risk and domestic players in these sectors may need help from the government.

"Our SMEs are not ready to navigate the European market. European SMEs are more competitive than us. We first need to figure out if Indian SMEs want access to the EU market and to what extent. Accordingly, the government needs to clarify the extent of free trade," says Vinod Kumar, president, Indian SME Forum.

According to the latest numbers compiled by the Centre for Economic Policy Research, SMEs account for around \$520bn worth of exports made by the EU. And around 85mn people in the EU work in these SMEs.

In contrast, Indian SMEs export \$125,525mn worth of goods and employ 203.9mn people, according to the Udyam portal.

It is perhaps fair to say that the state of SMEs in these two regions is not at the same level. And free trade between these two economies may not be a level-playing field.

"The FTA could open up good revenue opportunities for Indian SMEs, but we need to have proper infrastructure in place to make ourselves at par with EU SMEs," says Sagnik Mukherjee, founder of Pepcom India, an SME that makes food containers. Mukherjee adds, "The SME sector needs adequate financing. Despite there being various schemes in place, banks are reluctant to finance SMEs."

The industry has to wait and see the extent to which Indian SMEs are comparable with their EU counterparts, according to Ajay Sahai,



European SMEs are more competitive than us. We first need to figure out if Indian SMEs indeed want access to the EU market and to what extent

VINOD KUMAR

President, Indian SME Forum

director general and chief executive of the Federation of Indian Export Organisations. "If there is active cooperation between the SMEs of Europe with the SMEs of India, it will probably help Indian SMEs improve in a number of areas. We also have to see the kind of concessions we are giving them," adds Sahai.

Just like SMEs, the nascent sustainable food sector in India is wary of the competition that may arise from FTAs. "Integrated farming is a major part of the sustainable food industry. With foreign corporations intervening, players will be forced to buy certain materials from these companies. The incomes of Indian farmers will be affected," says Ruth

Chattopadhyay, founder of sustainable food firm Paushtik Life.

Kumar cites the adverse impact India's rubber, cooking oil and lentils businesses have faced on account of heavy imports. He gives the example of the Canadian import of masoor dal that has hurt Indian farmers. Chattopadhyay fears a similar fate awaits the sustainable food sector.

No Easy Answers

Authorities in India do not want to put dairy at the risk of competition with global players. But the risks of competition exist for the other sectors it is willing to trade in too. An FTA with an advanced economy at a time when Indian SMEs feel unsure about their own degree of maturity will put millions who rely on the sector for employment at risk.

Sustainable food is still a marquee business and, in an agriculture-dependent economy such as India, stifling the growth of green farming practices will have costs that go beyond simple economics.

Additionally, there are poor and marginalised people in these sectors too. Why would India seek to protect one segment of the marginalised instead of the other—that is the question. **QB**

DAIRY FARMERS IN THE UK, EU AND AUSTRALIA ENJOY HUGE SUBSIDIES FROM THE STATE AND AS A RESULT, ARE ABLE TO SELL THEIR PRODUCE AT LOW COSTS