

FTP will give a leg up to exports

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While the Foreign Trade Policy's focus on easing processes is welcome, there's a need to improve market intelligence

The announcement of the new Foreign Trade Policy (FTP) is a welcome step in offering guidance and support to India's trade community in the current, turbulent global economic environment. India excelled in exports both in goods and services, thus achieving a benchmark of \$750 billion. India's exporting firms aggressively scouted for trade opportunities even in crisis and served the gaps well that existed due to global supply chain disruptions.

India's newly signed FTAs, especially with the UAE, facilitated enhanced external engagements to contribute; however, the base effect of rising commodity prices and its catalytic impact of price rise in other commodities is also a major contributor. The policies are general statements which guide thinking in decision-making, and this highlights how important this policy document is in leveraging the exports and imports in India's overall economic growth and development. Let us understand the key features of India's new FTP and the way forward.

Focus on tax neutralisation

The Directorate General of Foreign Trade (DGFT) phased out all the incentives schemes, whether for merchandise or services exports. It is important to note that the WTO has specific guidelines for export-promotion schemes, and countries must ensure that their schemes are compliant with these guidelines. If a country's export-promotion schemes are found to be inconsistent with the WTO's rules, other member-countries can challenge them at the WTO's dispute settlement mechanism.

The focus now is on tax neutralisation with schemes such as Advance Authorisation, DFIA, Duty Drawbacks and RoDTEP. India has finally moved

away from export-related incentives such as MEIS and SEIS to production-linked incentives under 'Atma Nirbhar Bharat Mission'.

Democratisation of schemes

There is focus on democratising India's export story by making the process simpler, and launching schemes that aim at the bottom of the pyramid of India's socio-economic ladder. 'District as Export Hub' aims coupled with enhanced limits for e-commerce exports are aimed at taking our policies to the grassroots level, thus strengthening governance architecture to fulfil the dream of even the remotest and smallest of business firms.

The District ad Export Hub scheme can bring a greater level of awareness and commitment regarding exports at the district level, building capacity to create new exporters and identify new markets for the focused products and services. The unique feature of the E-Commerce scheme is to establish designated areas as E-Commerce Export Hubs (ECEHs), which would act as a centre for favourable business infrastructure and facilities for cross-border e-commerce activities.

Moreover, if these schemes offer vertical policy support there is an effort to identify newer 'Towns of Export Excellence', and as the policy has a sunset clause and response to evolving business realities, we assume more such dedicated export hubs will be identified in future.

Focus on e-governance

Our regulatory agencies have increasingly realised the benefits of e-governance in the last two decades and this policy takes it even further. The policy talked about fostering an online end-to-end clearance system for e-commerce cargo. Besides, there is focus on strengthening inter-agency regulatory clearances and approvals by using Unified Logistics Interface Platform gateway.

For instance, the issuance of Export Obligation Discharge Certificate (EODC) will now be fully automated between DGFT and Indian Customs. The policy clearly envisages promoting digital trade whether for promoting exports of

goods and services or even conduct of business — for instance, online clearances, approval, payment and refunds — thus promoting transference in the governance system.

Missing links

The policy document encapsulates all existing schemes in a revised form. One of the major challenges for the Indian export community is market intelligence and information system as small-sized firms remain ignorant of what is in demand in which part of the world. For India to achieve the ambitious \$2 trillion export target by 2030, which is quite feasible, there is a need to identify the right product segments where such business opportunities exist.

These primarily include electronics, electricals, automobiles, machinery and appliances, textiles, pharma, and defence products.

Accordingly, the FTP needs to be supplemented by new FTAs with the potential markets. A right product-market strategy coupled with a dedicated market intelligence platform can be a game-changer for India.

There's the need to overcome the dichotomy in our policy actions — for instance, signing FTAs and simultaneously increasing import duties or anchoring export restrictions. Also, production capacity and capabilities in these key areas must be scaled up, by continuously monitoring external developments and aligning our internal policy responses to them.

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