

# Traders can claim export benefits for ₹ payments

Foreign trade directorate makes key amendments to foreign trade policy

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The Centre on Wednesday amended the foreign trade policy (FTP) to enable traders to claim export benefits even if payment is settled in the rupee. So far, export incentives were available only when the trade was settled in a foreign currency.

The amendments by the Directorate General of Foreign Trade (DGFT) came into force with immediate effect.

The development comes against the backdrop of the mechanism to settle international trade transactions in the rupee which was unveiled by the Reserve Bank of India (RBI) in July. Given the government's push towards the internationalisation of the rupee, these policy amendments shall help ease international trade transactions in the domestic currency.

"The Government of India has made suitable amendments in the Foreign Trade Policy and Handbook of Procedures to allow for international trade settlement in Indian rupees (INR) i.e. invoicing, payment, and settlement of exports/imports in Indian rupees," the department of commerce said in a statement.

Currently, benefits under these schemes are available if the payment is received in a foreign currency, except in the case of sanction-hit Iran. These amendments will be applicable for goods imported for export, realisation of export proceeds under Advance Authorisation (AA), Duty-Free Import Authorisation (DFIA) schemes, and realisation of export proceeds under the Export Promotion Capital Goods (EPCG) scheme.

Exporters had earlier said that to do the costing for exports in domestic currency, they need clarity with regard to the applicability of export benefits. Besides, a lot of exporters who had imported under various schemes require clarification regarding the acceptance of export obligations in the rupee against imports made in a free foreign currency.

The RBI in July said that rupee trade was being allowed to promote growth of global trade with emphasis on exports from India and to support the increasing interest of the global trading community in INR. According to the mechanism



## Jewellery exports may face challenge in H2

After witnessing a cumulative growth of 6 per cent during the first six months of FY23, the second half of the year could be slightly "challenging" for exports of gems and jewellery items from India, amid uncertainties in some of its largest markets such as China, Gem and Jewellery Export Promotion Council Chairman Vipul Shah said. "The sector is cautiously optimistic (in terms of the outlook). We are seeing rising interest rates (in

the global market), and the ongoing Russia-Ukraine war. We don't know what will be the outlook of the Chinese market, with the new five-year tenure of the leadership in that country. All these (factors) need to be looked at," Shah told *Business Standard* in an interview. He said during the first half of the current financial year, the gems and jewellery sector outperformed as compared to other sectors. **SHREYA NANDI**

finalised by the RBI, banks of partner countries can approach authorised dealer (AD) banks in India for opening special rupee vostro accounts. The bank will then have to seek approval from the central bank with details of such an arrangement.

While the rupee trade mechanism is yet to pick up in full swing, exporters hope that it will help increase India's exports to countries facing acute foreign exchange shortages or those covered by sanctions. Two domestic lenders — UCO Bank and YES Bank — are in talks with their Russian counterparts to settle international trade between the two nations in the rupee.

"The changes in the Foreign Trade

Policy will facilitate trade in domestic currency and hence boost exports. The decision will help the engineering goods sector in achieving the export target of \$127 billion set by the government for the current fiscal year. During the April-September period of FY23, engineering goods exports stood at \$55.15 billion," Engineering and Export Promotion Council of India (EPEC) Chairman Arun Kumar Garodia said.

India is also in touch with smaller nations, such as Cuba, Sudan, and Luxembourg, to settle international trade in the domestic currency, but nothing has materialised as of now.