

Foreign Trade Policy 2023 Roadmap to India's Global Leadership in Exports

Over the years, India's Foreign Trade Policies have reflected the nation's standing among the world economies. The initial policies, which came with sunset clauses, were focused more on transitioning the country from a developing economy to a developed economy and becoming self-reliant. However, with the shift in momentum in the recent past, the policies have become more export-centric while measures have been taken to curb imports only to need-based procurements.

We have also witnessed India's tussle with the WTO on various incentive schemes and the need to develop promotional measures that are not directly linked to exports. Given this, the Government has been working on numerous measures against the backdrop of a new policy, and most of them have now been announced by way of Foreign Trade Policy 2023. The policy further highlights opportunities that India as a nation can offer to the World and draws a plan to turn its potential into kinetics. With a long-term vision and no sunset date, the new FTP is aimed to be dynamic thereby enabling the industry and trade to formulate long-term strategies and visions.

While some prominent schemes continue under the new policy, the government has aimed at introducing a few noteworthy measures which are discussed in the ensuing paras.

District Export Promotion Hub?

The Hon'ble PM of India had during his Independence Day speech in 2019, expressed his thoughts as follows:

"Each district of our country has a potential equal to that of one country, each of our districts has the capacity equal to a small country in the world. Why should each district not think of becoming an export hub?"

This vision was set into motion and soon in January 2021, the government introduced the "Developing District as Exports Hub" Scheme. The basic objective of the Scheme has been to identify district-wise products and services with export potential and decentralize the export promotion activity to each district, to help boost local production by building self-sufficiency and self-reliance. These identified products and/or services would be provided global platform through capacity building, infrastructure and logistics development in collaboration with State Governments. Even rural products and services will be recognized thereby enabling the MSMEs, farmers, and small industries to get benefit from export opportunities in the overseas markets.



This is one of the first initiatives of its kind to encourage exports at the grassroots level, and would go a long way in supporting the philosophy of 'Aatmanirbhar Bharat' and 'Local Goes Global'. The said Scheme has now been formally introduced as part of the new policy.

As a modus operandi, each district will draft its own District Export Action Plan (DEAP) that will outline the entire action plan for exports therefrom. It will include aspects of enhancing production by providing better infrastructure end-to-end connectivity), education and guidance, quality improvements, tie-ups at various levels in the supply chain, resolving bottlenecks, finance, etc. These DEAPs must be discussed with the District Planning Committees (DEPC) and then published in the public domain.

There is already a lot of work that has happened post-implementation of the Scheme. As per the information available in the public domain, export potential products for 725 districts have been identified, and DEAPs for 451 districts are already in place. Further, more than 500 districts were selected where the export growth was to cross the double-digit mark. These statistics are just the beginning, and a long journey awaits to enhance the country's exports.

Hence, it will be imperative to effectively implement the scheme which in turn will help the nation grow on multiple parameters. One of the vital benefits of adopting a district-wise plan to grow exports is that there will be dissemination of information among local businesses, which will certainly help them understand the tricks and nuances adopted by high-scale production houses. It will also help small-scale businesses and MSMEs to occupy a prominent position and get a stairway into the global market. Moreover, the increase in popularity of district-based focused products should provide the much-needed impetus even to the logistics and agricultural sectors.

This shift from incentive-based schemes such as SEIS and MEIS to a scheme that primarily focuses on developing local products should set the stage for augmenting India's exports. However, it is pertinent to note that these schemes are at a district level; hence, it may take a while for the district plans to sync with the overall federal structure. The scheme would undoubtedly require involvement by the industry and businesses, who are expected to come out with their needs and asks, given their geographical and economic structures at the district level.

Focus on promoting e-Commerce

The new policy has also provided a framework for crossborder trade of goods and services from India in the digital economy and the promotion of e-Commerce. One big move has been to double the consignment-wise cap on e-commerce exports through couriers from INR 0.5 million to INR 1 million. Additionally, some other facilitation and support measures have been provided to small exporters such as training and education programs, a hub-and-spoke model with Foreign Post Offices, etc.

However, a noteworthy leap in e-commerce trade is sought to be made in the form of designated e-commerce Export Hubs (ECEHs), which typically would run under a Public-Private-Partnership model. The hubs may provide various facilities such as warehousing (including cold storage), packaging, labeling, certification, and testing to support exports. They shall also support by providing better infrastructure in terms of stocking, customs clearances, processing of returned orders, etc. Further, ECEHs may be provided financial assistance under the Market Access Initiative (MAI) Scheme for e-commerce export promotion projects for marketing, capacity building and technological services such as imaging, cataloging, product video creation, etc.

The establishment of ECEHs which supports e-commerce businesses up to the last mile clearance should prove to be a game-changing measure and could see wide acceptance once such Hubs are functional.



Other prominent measures

Among others, the prominent schemes for importing duty-free capital goods (EPCG) and raw materials (Advance Authorization) for export purposes have been continued, albeit with a few relaxations in procedural aspects and reduced application fees, thus making them more lucrative for MSME exporters. The new policy also brings in an amnesty for addressing the bona fide defaults in fulfilling the export obligations under the EPCG Scheme availed in the past. Given the limited window for availing the benefit of capped interest and penalty, many defaulting exporters have already started taking advantage of this.

The new FTP also provides for a re-vamped 'e-Certificate of Origin' platform which will enable self-certification and automatic approvals. This move, without any physical interface, should speed up obtaining preferential tariff treatment for imports from specific countries.

Furthermore, the settlement of trade transactions in Indian Rupees (INR) through Special Rupee Vostro Accounts as permitted by the RBI and FEMA regulations should augment the usage of INR, making it a globally acceptable currency. Taking cues from the existing geo-political scenarios, such measures should establish INR as a permanent exchange in global trade.

A novel element of the new policy is the recognition of the 'merchanting trade'. The policy provides the framework to transform India into an intermediate trading hub, by allowing merchanting trade involving a shipment of goods from one country to another without touching Indian ports subject to compliance with RBI guidelines, except for goods/items in the SCOMET list and the CITES. This measure, which should benefit large merchant exporters, could accelerate India's entry into global supply chains. Certain places in India like the GIFT City, could become significant hubs for merchanting trade from markets like Dubai, Singapore and Hong Kong.

Another significant aspect of the new Policy is the focus on amicable resolution of quality complaints/trade disputes involving foreign sellers/buyers. A request for investigation and settlement of quality complaint/trade dispute by a dedicated Committee can be filed online by an Indian or foreign entity; the detailed guidance note on raising complaint(s), and the facility to check the status thereof shall be available on the portal, with the documentation required.

The government has further sought to streamline the SCOMET licensing procedure. The policy for the export of dual-use items under SCOMET has been consolidated for ease of understanding and compliance by the industry. The SCOMET policy emphasizes India's 'export control' in line with its international commitments under various export control regimes. Focus has been placed on simplifying policies to facilitate the export of dual-use high-end goods/technology such as UAV/Drones, Cryogenic Tanks, certain chemicals, etc. .

Conclusion

The policy emphasizes export promotion and development, thus moving away from an incentive regime to a regime which is facilitating trade, based on technology interface and principles of collaboration. This should create job opportunities and improve the country's overall trade performance, making it more resilient to external shocks, thereby, improving its negotiating capabilities in international trade.

However, the efficacy of Foreign Trade Policy 2023 in meeting industry expectations and being compliant with WTO norms can be evaluated in the days to come.



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