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✉ ijareeie@gmail.com

@ www.ijareeie.com



New Foreign Trade Policy 2023

Rajender

Assistant Professor, Department of Economics, Govt. Girls College, Panchla Siddha, Khinwsar, Nagaur,
Rajasthan, India

ABSTRACT: Foreign Trade Policy 2023 announced FTP 2023 is a dynamic and open ended Policy that will accommodate the emerging needs: Sh. Piyush Goyal PM Modi has given the vision to increase exports manifold: Sh Goyal. FTP seeks to take India's exports to 2 trillion dollars by 2030: Sh Goyal 4 pillars of FTP 2023: Incentive to Remission, Export promotion through collaboration, Ease of doing business and Emerging Areas

KEYWORDS: foreign trade policy, 2023, new, exports, India, business

I. INTRODUCTION

Union Minister of Commerce and Industry, Consumer Affairs, Food and Public Distribution and Textiles, Shri Piyush Goyal today launched the Foreign Trade Policy 2023 saying that it is dynamic and has been kept open ended to accommodate the emerging needs of the time. He stated that the policy had been under discussion for a long time and has been formulated after multiple stakeholder consultations. India's overall exports, including services and merchandise exports, has already crossed US\$ 750 Billion and is expected to cross US\$ 760 Billion this year, he said.

The Minister referred to the interaction that Prime Minister, Shri Narendra Modi with the exporters on 06th August, 2021 and encouraged them to increase exports and get more deeply involved in the global value chain. He lauded the vision and guidance of the Prime Minister who believed that given the size of the Indian economy and manufacturing & service sector base, the potential for the country to grow is manifold. He said that this vision is at the core of the policy.

The Minister noted that the remarkable achievement in the overall export figure of crossing US\$ 760 Billion in these challenging times across the world has been the result of enthusiasm and encouragement pumped in by the Prime Minister. He said that this achievement is in sync with the target set in the roadmap in 2021 after the interaction with the Prime Minister.

He stressed that every opportunity for export must be captured and utilised effectively. He also mentioned that in the next 5 months during India's G20 presidency there should be a massive concentrated outreach with the world both sector-wise and country-wise.

The release of the policy was also attended by Union Minister of State for Commerce & Industry, Smt. Anupriya Patel, Commerce Secretary, Shri Sunil Barthwal and Member Customs, Central Board of Indirect Taxes and Customs, Shri Rajiv Talwar. Director General of Foreign Trade, Shri Santosh Kumar Sarangi gave a detailed presentation on the policy.

The Key Approach to the policy is based on these 4 pillars: (i) Incentive to Remission, (ii) Export promotion through collaboration - Exporters, States, Districts, Indian Missions, (iii) Ease of doing business, reduction in transaction cost and e-initiatives and (iv) Emerging Areas – E-Commerce Developing Districts as Export Hubs and streamlining SCOMET policy.

Foreign Trade Policy (2023) is a policy document which is based on continuity of time-tested schemes facilitating exports as well as a document which is nimble and responsive to the requirements of trade. It is based on principles of 'trust' and 'partnership' with exporters. In the FTP 2015-20, changes were done subsequent to the initial release even without announcement of a new FTP responding dynamically to the emerging situations. Hereafter, the revisions of the FTP shall be done as and when required. Incorporating feedback from Trade and Industry would also be continuous to streamline processes and update FTP, from time to time.[1,2,3]



The FTP 2023 aims at process re-engineering and automation to facilitate ease of doing business for exporters. It also focuses on emerging areas like dual use high end technology items under SCOMET, facilitating e-commerce export, collaborating with States and Districts for export promotion.

The new FTP is introducing a one-time Amnesty Scheme for exporters to close the old pending authorizations and start afresh.

The FTP 2023 encourages recognition of new towns through “Towns of Export Excellence Scheme” and exporters through “Status Holder Scheme”. The FTP 2023 is facilitating exports by streamlining the popular Advance Authorization and EPCG schemes, and enabling merchanting trade from India.

Process Re-Engineering and Automation

Greater faith is being reposed on exporters through automated IT systems with risk management system for various approvals in the new FTP. The policy emphasizes export promotion and development, moving away from an incentive regime to a regime which is facilitating, based on technology interface and principles of collaboration. Considering the effectiveness of some of the ongoing schemes like Advance Authorisation, EPCG etc. under FTP 2015-20, they will be continued along with substantial process re-engineering and technology enablement for facilitating the exporters. FTP 2023 codifies implementation mechanisms in a paperless, online environment, building on earlier 'ease of doing business' initiatives. Reduction in fee structures and IT-based schemes will make it easier for MSMEs and others to access export benefits.

Duty exemption schemes for export production will now be implemented through Regional Offices in a rule-based IT system environment, eliminating the need for manual interface. During the FY23-24, all processes under the Advance and EPCG Schemes, including issue, re-validation, and EO extension, will be covered in a phased manner. Cases identified under risk management framework will be scrutinized manually, while majority of the applicants are expected to be covered under the 'automatic' route initially.

Towns of Export Excellence

Four new towns, namely Faridabad, Mirzapur, Moradabad, and Varanasi, have been designated as Towns of Export Excellence (TEE) in addition to the existing 39 towns. The TEEs will have priority access to export promotion funds under the MAI scheme and will be able to avail Common Service Provider (CSP) benefits for export fulfillment under the EPCG Scheme. This addition is expected to boost the exports of handlooms, handicrafts, and carpets.

Recognition of Exporters

Exporter firms recognized with 'status' based on export performance will now be partners in capacity-building initiatives on a best-endeavor basis. Similar to the 'each one teach one' initiative, 2-star and above status holders would be encouraged to provide trade-related training based on a model curriculum to interested individuals. This will help India build a skilled manpower pool capable of servicing a \$5 Trillion economy before 2030. Status recognition norms have been re-calibrated to enable more exporting firms to achieve 4 and 5-star ratings, leading to better branding opportunities in export markets.

Promoting export from the districts[4,5,6]

The FTP aims at building partnerships with State governments and taking forward the Districts as Export Hubs (DEH) initiative to promote exports at the district level and accelerate the development of grassroots trade ecosystem. Efforts to identify export worthy products & services and resolve concerns at the district level will be made through an institutional mechanism – State Export Promotion Committee and District Export Promotion Committee at the State and District level, respectively. District specific export action plans to be prepared for each district outlining the district specific strategy to promote export of identified products and services.

Streamlining SCOMET Policy

India is placing more emphasis on the "export control" regime as its integration with export control regime countries strengthens. There is a wider outreach and understanding of SCOMET (Special Chemicals, Organisms, Materials, Equipment and Technologies) among stakeholders, and the policy regime is being made more robust to implement international treaties and agreements entered into by India. A robust export control system in India would provide access of dual-use High end goods and technologies to Indian exporters while facilitating exports of controlled items/technologies under SCOMET from India.



Facilitating E-Commerce Exports

E-commerce exports are a promising category that requires distinct policy interventions from traditional offline trade. Various estimates suggest e-commerce export potential in the range of \$200 to \$300 billion by 2030. FTP 2023 outlines the intent and roadmap for establishing e-commerce hubs and related elements such as payment reconciliation, book-keeping, returns policy, and export entitlements. As a starting point, the consignment wise cap on E-Commerce exports through courier has been raised from ₹5Lakh to ₹10 Lakh in the FTP 2023. Depending on the feedback of exporters, this cap will be further revised or eventually removed. Integration of Courier and Postal exports with ICEGATE will enable exporters to claim benefits under FTP. The comprehensive e-commerce policy addressing the export/import ecosystem would be elaborated soon, based on the recommendations of the working committee on e-commerce exports and inter-ministerial deliberations. Extensive outreach and training activities will be taken up to build capacity of artisans, weavers, garment manufacturers, gems and jewellery designers to onboard them on E-Commerce platforms and facilitate higher exports.

Facilitation under Export Promotion of Capital Goods (EPCG) Scheme

The EPCG Scheme, which allows import of capital goods at zero Customs duty for export production, is being further rationalized. Some key changes being added are:

- Prime Minister Mega Integrated Textile [7,8,9] Region and Apparel Parks (PM MITRA) scheme has been added as an additional scheme eligible to claim benefits under CSP (Common Service Provider) Scheme of Export Promotion capital Goods Scheme (EPCG).
- Dairy sector to be exempted from maintaining Average Export Obligation – to support dairy sector to upgrade the technology.
- Battery Electric Vehicles (BEV) of all types, Vertical Farming equipment, Wastewater Treatment and Recycling, Rainwater harvesting system and Rainwater Filters, and Green Hydrogen are added to Green Technology products – will now be eligible for reduced Export Obligation requirement under EPCG Scheme

Facilitation under Advance authorization Scheme

Advance authorisation Scheme accessed by DTA units provides duty-free import of raw materials for manufacturing export items and is placed at a similar footing to EOU and SEZ Scheme. However, the DTA unit has the flexibility to work both for domestic as well as export production. Based on interactions with industry and Export Promotion councils, certain facilitation provisions have been added in the present FTP such as

- Special Advance Authorisation Scheme extended to export of Apparel and Clothing sector under para 4.07 of HBP on self-declaration basis to facilitate prompt execution of export orders – Norms would be fixed within fixed timeframe.
- Benefits of Self-Ratification Scheme for fixation of Input-Output Norms extended to 2 star and above status holders in addition to Authorised Economic Operators at present.

Merchanting trade

To develop India into a merchanting trade hub, the FTP 2023 has introduced provisions for merchanting trade. Merchanting trade of restricted and prohibited items under export policy would now be possible. Merchanting trade involves shipment of goods from one foreign country to another foreign country without touching Indian ports, involving an Indian intermediary. This will be subject to compliance with RBI guidelines, and won't be applicable for goods/items classified in the CITES and SCOMET list. In course of time, this will allow Indian entrepreneurs to convert certain places like GIFT city etc. into major merchanting hubs as seen in places like Dubai, Singapore and Hong Kong.

Amnesty Scheme

Finally, the government is strongly committed to reducing litigation and fostering trust-based relationships to help alleviate the issues faced by exporters. In line with "Vivaad se Vishwas" initiative, which sought to settle tax disputes amicably, the government is introducing a special one-time Amnesty Scheme under the FTP 2023 to address default on Export Obligations. This scheme is intended to provide relief to exporters who have been unable to meet their obligations under EPCG and Advance Authorizations, and who are burdened by high duty and interest costs associated with pending cases. All pending cases of the default in meeting Export Obligation (EO) of authorizations mentioned can be regularized on payment of all customs duties that were exempted in proportion to unfulfilled Export Obligation. The interest payable is capped at 100% of these exempted duties under this scheme. However, no interest is payable on the portion of Additional Customs Duty and Special Additional Customs Duty [10,11,12] and this is likely to provide relief to exporters as interest burden will come down substantially. It is hoped that this amnesty will give these exporters a fresh start and an opportunity to come into compliance.



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II. DISCUSSION

India's Foreign Trade Policy (FTP) 2023 has been launched to promote exports and facilitate ease of doing business for exporters, while also placing a stronger emphasis on the "export control" regime. The policy is built on the principles of trust and partnership with exporters and is based on four pillars: Incentive to Remission, Export Promotion through Collaboration, Ease of Doing Business, and Emerging Areas. The policy is based on the continuity of time-tested schemes while being responsive to the emerging needs of the time.

The FTP 2023 introduces several new schemes, such as one time Amnesty Scheme for exporters to close old pending authorizations and start afresh. It also encourages the recognition of new towns through the Towns of Export Excellence Scheme and the recognition of exporters through the Status Holder Scheme. The policy also streamlines the popular Advance Authorization and EPCG schemes and enables merchanting trade from India.

One of the key objectives of the FTP 2023 is to process re-engineering and automation to facilitate ease of doing business for exporters. The policy emphasizes the use of automated IT systems with risk management systems for various approvals and codifies implementation mechanisms in a paperless, online environment. The policy also reduces fee structures and IT-based schemes to make it easier for MSMEs and others to access export benefits.[13,14,15]

Another crucial aspect of the FTP 2023 is the promotion of exports from the district level and accelerating the development of the grassroots trade ecosystem. The policy builds partnerships with state governments and takes forward the Districts as Export Hubs (DEH) initiative to identify export-worthy products and services and resolve concerns at the district level. The policy also aims to prepare district-specific export action plans for each district outlining the district-specific strategy to promote the export of identified products and services.

India's integration with the export control regime countries is strengthening, and the policy regime is made more robust to implement international treaties. The FTP 2023 places a wider outreach and understanding of Special Chemicals, Organisms, Materials, Equipment and Technologies (SCOMET) among stakeholders to ensure compliance with international regulations.

Overall, the FTP 2023 is a dynamic policy document that aims to boost India's exports and promote its growth manifold in the coming years. With its emphasis on ease of doing business, technology interface, and collaboration, the policy is expected to facilitate the growth of the export industry, while also creating a favourable environment for MSMEs and other businesses to access export benefits. The FTP 2023 is a roadmap for India's exports to reach new heights and emerge as a global leader in the export industry.

III. RESULTS

The Free Trade Agreements (FTA) with Australia and UAE are also being touted by policymakers as a gateway for extensive opportunities for Indian entrepreneurs.

However, all these achievements must not let it slide that a new Foreign Trade Policy (FTP) for India is still long awaited. The last FTP was notified in 2015 and a new one was supposed to be introduced in April 2020; since then it has been periodically extended.

The need for a new FTP can't be over-emphasised given recent geopolitical developments, the thrust on local manufacturing and a direction on bilateral trade conventions.

What is the Significance of a Foreign Trade Policy[16,17,18]

- The Foreign Trade Policy is a legal document, issued by the Government of India, enforceable under the Foreign Trade Development and Regulation Act 1992.
- Revisited and notified quinquennially since the 1991 economic reforms, the FTP has been the guiding beacon for all stakeholders.
- The prime objective of a foreign trade policy is to facilitate trade by reducing transaction and transit costs and time.
- A FTP sets out the regulations for cross-border trade and reveals the government's position on a host of concomitant yet crucial policy variables such as technology flow, intangibles, and so on.



Why is a New Foreign Trade Policy Important?

- **Clarifying India's Stand at Global Level:** It is essential to clarify India's position and alignment with flagship programmes like 'Local for Global' and PLI (Production Linked Incentive) schemes, WTO's ruling against India's export incentive schemes, an overdue review of the Special Economic Zone (SEZ) scheme, changing geographical profiles of India's export basket, and implications of the FTAs.
 - In 2019, a dispute resolution panel of WTO had held that the export incentives under the FTP are violative of India's WTO Commitment.
- **Impact on Export-Oriented Businesses:** Another reason for overhauling the FTP is some export-oriented businesses have been adversely impacted by certain ad hoc, mistimed, and contradictory changes to the 2015 FTP
 - The 2015 FTP incentivised exports by issuing duty-credit scrips directly in proportion to exports. However, in 2020 the government limited the maximum export incentives for goods to Rs. 20 million, and in 2021, limited them to Rs. 20 million for services.
 - Moreover, the changes for service incentives were retrospectively notified in September 2021 to be applied from April 2019.
- **Reduction in Outlays and Incentives:** The annual export incentives — the Merchandise Exports from India Scheme (MEIS) and Services Exports from India Scheme (SEIS) of Rs. 51,012 crore were replaced with the RoDTEP scheme incentive of Rs.12,454 crore.
 - The remaining Rs. 38,558 crore has been diverted into PLI to give benefit to a few sectors.
 - Also, earlier there was a 3% export incentive on agriculture implements like tractors, which has been reduced to 0.7%.
- **Infrastructural Setbacks:** Due to inadequate upgraded export infrastructure such as ports, warehouses and supply chains, the average turnaround time for ships in India is about three days while the world average is 24 hours.
- **Crisis of MSMEs:** With a contribution of about 29% to the GDP and 40% to international trade, MSMEs are the key players in achieving the ambitious export targets. However, the surge in input and fuel costs are hitting the bottom lines of MSMEs.[19,20]
 - The rise in prices of raw materials such as steel, and plastics along with a shortage of shipping containers and labour are making it difficult for the MSMEs to take full advantage of the global increase in demand.
- **What can be the Possible Amendments in the New FTP?**
- **Solving MSMEs' Crisis:** Under the SEIS, an incentive of 3-7% of net foreign exchange earnings is provided to services exporters of notified services in India.
 - A modification in the minimum cap for the net foreign exchange earnings eligible to claim under the scheme and faster GST refunds to global services are much needed with the new FTP.
 - The government must also help MSMEs tap the export potential in existing tariff lines and provide policy support to raise the number of exporting MSMEs and increase MSME exports by 50% in 2022-23.
- **More Incentives for Exporters:** The new FTP could benefit exporters if the incentives granted to retail and wholesale traders under the ambit of the MSME category are extended to them as well.
 - The new FTP must enable exporters to leverage technology in the field of foreign trade. This will be particularly beneficial for MSMEs to compete with their global peers.
- **Infra Upgrade:** An efficient and extensive infrastructure network - warehouses, ports, SEZs, quality testing labs, certification centres etc.- will help exporters stay competitive in a cut-throat market.
 - India needs to invest in upgrading export infrastructure to stay ahead of technology-advanced countries such as China.
 - It also needs to adopt modern trade practices that can be implemented through the digitisation of export processes. This will save both time and cost.
- **GST Export Benefits:** The export benefit under the GST is currently outside the purview of FTP which has resulted in the denial of export benefits to certain classes of exporters.
 - Therefore, there is an urgent need to bridge the gap between the two policies. Furthermore, a seamless disbursement of GST refunds, without administrative delays, carries paramount importance.
- **WTO Compliant Schemes:** This should be at the core of the FTP. The WTO works to dissuade governments from heavily subsidising exporters to provide a level playing field to all nations.
 - The Indian government is well aware of the need to stay within the WTO norms and has already taken significant steps to withdraw subsidy-led schemes.
 - However, more needs to be done at a fundamental level to promote exports and ensure that Indian exports are competitive in the global market.



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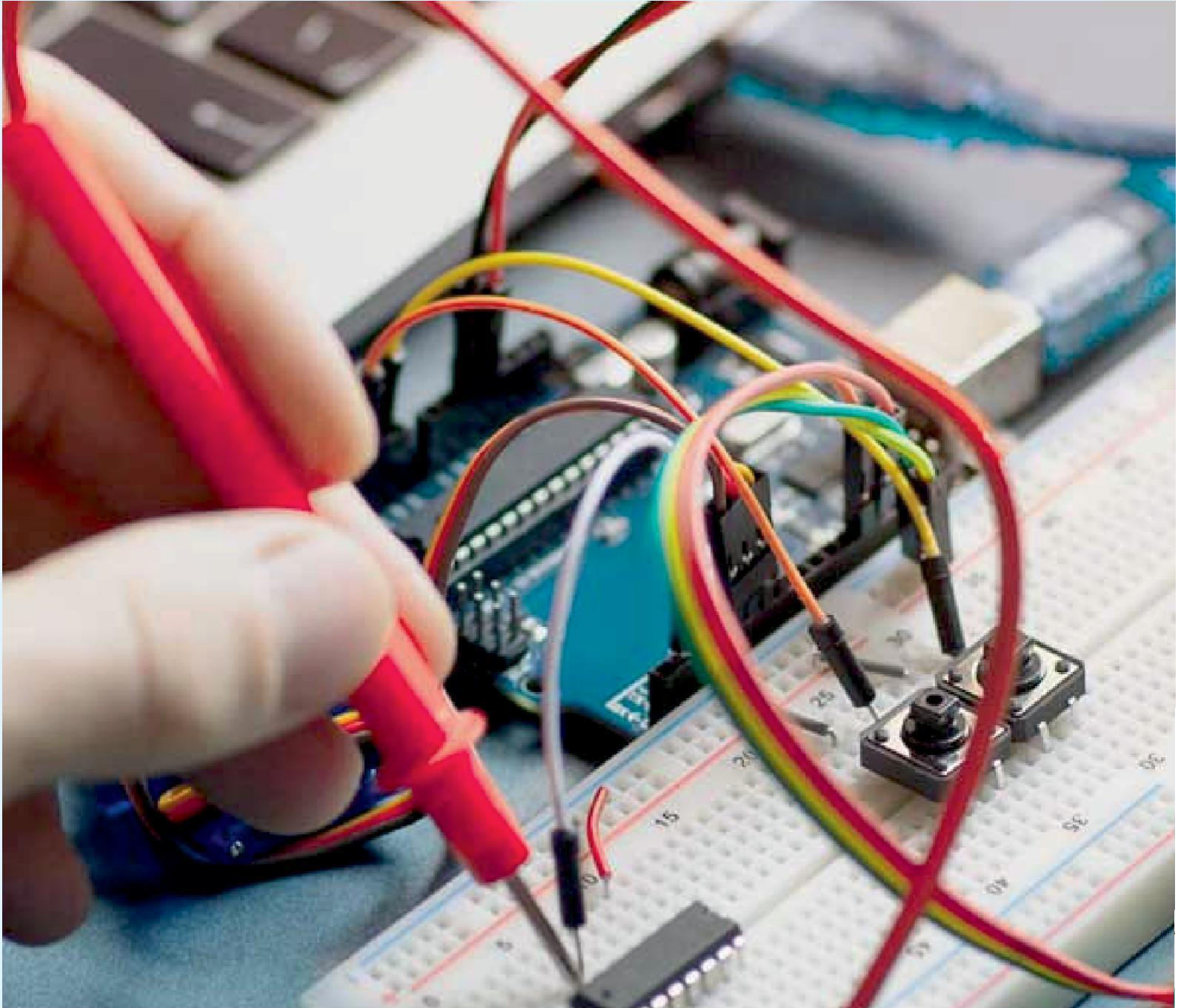
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IV. CONCLUSION

- Other Measures: The policymakers shall urgently expand the zone of consideration to engage with all stakeholders such that a consciously-framed and guided policy outlook emerges which guides both the Centre and private businesses for the nation's economic progress.
- These considerations should also factor the contemporary paradigm such as the impelling need for fuel-import substitution, leveraging the improvised logistic and fuelling entrepreneurial drive.
- Given the economic hardship caused by the pandemic, the new FTP shall work in a phased manner to address export constraints, review the regulatory and operational framework to reduce the transit costs and create a low-cost operating environment through developed logistics and utility infrastructure.[20]

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