

Foreign Trade Policy (FTP) 2023

April 4, 2023

In news– The Union Minister of Commerce and Industry has launched the Foreign Trade Policy 2023 recently.

Key features of the 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.
- New foreign trade policy reiterates the government's **focus on self-reliance or Atmanirbhar Bharat.**
- It seeks to **boost the country's exports to USD 2 trillion by the year 2030** and focuses on **international trade settlement in rupees.**
- The **earlier Foreign Trade Policy 2015-20**, which was to end in March 2020 was extended due to the Covid-19 pandemic and volatile geo-political scenario.
- **The Key Approach to the policy is based on these 4 pillars:**

1. Incentive to Remission.
2. Export promotion through collaboration – Exporters,

States, Districts, Indian Missions.

3. Ease of doing business, reduction in transaction cost and e-initiatives and
4. Emerging Areas – E-Commerce Developing Districts as Export Hubs and 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.
- 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 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.
- In line with “*Vivaad se Vishwaas*” initiative, the new FTP is introducing a **one-time Amnesty Scheme for exporters** to close the old pending authorizations and start afresh.
- 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.

- The FTP 2023 encourages recognition of **new towns through “Towns of Export Excellence Scheme” and exporters through “Status Holder Scheme”**.
- **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.
- The FTP 2023 is **facilitating exports by streamlining the popular Advance Authorization and Export Promotion of Capital Goods (EPCG) schemes**, and enabling merchanting trade from India.
- **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 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.**
- 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.
- 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.
- India's overall exports, including services and merchandise exports, has already crossed US\$ 750 Billion and is expected to cross US\$ 760 Billion in 2023.

SALIENT FEATURES

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| ▶ Targets \$2 trillion exports by 2030 | ▶ Digitisation and faster processing of applications |
| ▶ Continuous and responsive framework with no end date | ▶ Amnesty scheme for shortfall in export obligations |
| ▶ Making rupee a global currency | ▶ Restructuring of Department of Commerce |
| ▶ Making India a trade hub | ▶ Over 50% reduction in threshold for recognition of star trade houses |