

4. India's Foreign Trade Policy set to be revised from April 1

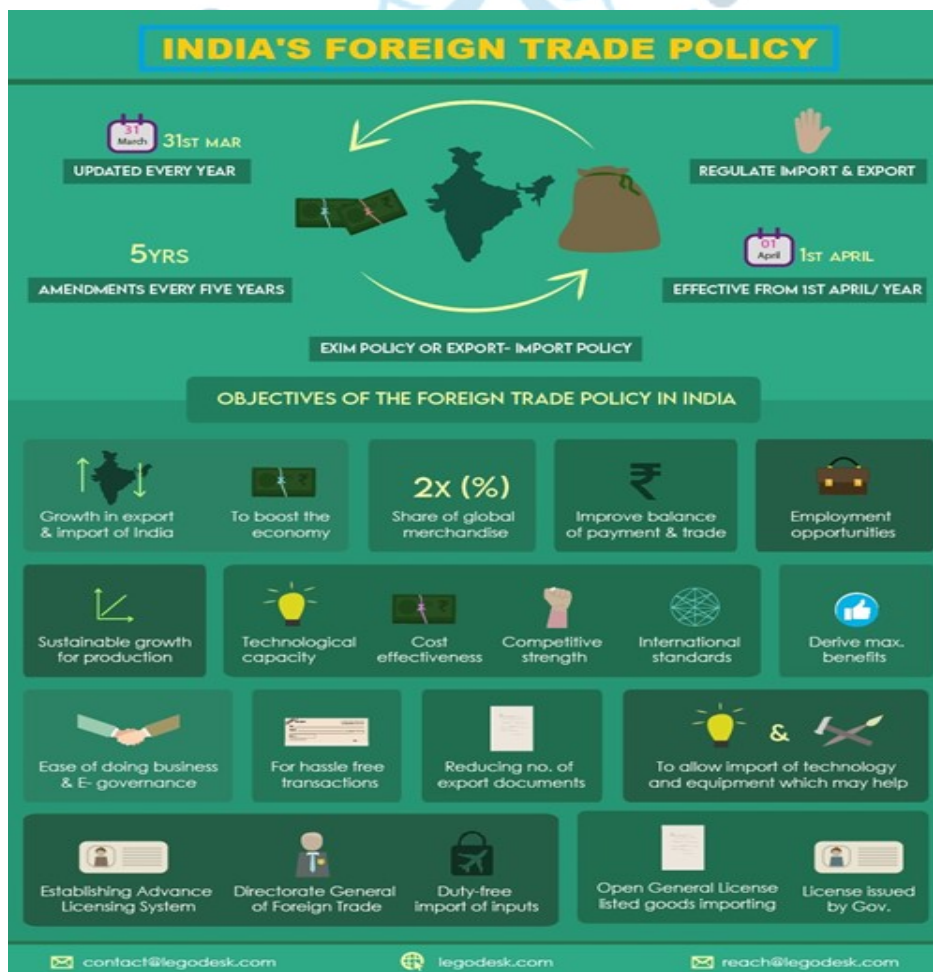
Prelims Syllabus: Economy

Mains Syllabus: GS-III Economy



Why in News?

- The revision of India's Foreign Trade Policy, which has been unchanged since 2015 and due for three years, may finally be announced by the end of this month.



What is a Foreign Trade Policy?

- India's Foreign Trade Policy (FTP) is a set of guidelines for goods and services imported and exported.
- These are developed by the Directorate General of Foreign Trade (DGFT), the Ministry of Commerce and Industry's regulating body for the promotion and facilitation of exports and imports.
- FTPs are enforceable under the Foreign Trade Development and Regulation Act 1992.

What is India's Foreign Trade Policy?

- In line with the 'Make in India,' 'Digital India,' 'Skill India,' 'Startup India,' and 'Ease of Doing Business' initiatives, the Foreign Trade Policy (2015-20) was launched on April 1, 2015.
- It provides a framework for increasing exports of goods and services, creating jobs, and increasing value addition in the country.
- The FTP statement outlines the market and product strategy as well as the steps needed to promote trade, expand infrastructure, and improve the entire trade ecosystem.
- It aims to help India respond to external problems while staying on top of fast-changing international trading infrastructure and to make trade a major contributor to the country's economic growth and development.

Issues with FTP (2015-2020)

- Acting on Washington's protest, a WTO dispute settlement panel ruled in 2019 that India's export subsidy measures are in violation of WTO norms and must be repealed.
- Tax incentives under the popular Merchandise Exports from India Scheme (MEIS) (now renamed as RODTEP Scheme) and Service Exports from India Scheme (SEIS) programmes were among them.
- The panel found that because India's per capita gross national product exceeds \$1,000 per year, it may no longer grant subsidies based on export performance.

Why such a delay in Foreign Trade Policy?

- **Geopolitical uncertainty:** The geo-political situation is not suitable for long-term foreign trade policy, said Union Commerce Minister.
- **Global recession:** Currently, fears of a recession in major economies like the US and Europe have escalated a panic among investors.

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- **Decline in USD inflows:** Foreign investors have begun to pull back their money from equities.
 - **Rupee depreciation:** The US Dollar is at a 22-year high, while the Rupee hit a new all-time low of \$81.6.
 - **Huge trade deficit:** The trade deficit widened by more than 2-folds to \$125.22 billion (April – August 2022) compared to \$53.78 billion in the same period last year.

