

4. Foreign Trade Policy 2023: India Needs To Adopt 21st-century Trade Policy Instruments

Prelims Syllabus: Economy

Mains Syllabus: GS-III Economics - Intellectual Property Rights



Why in News?

- The Foreign Trade Policy 2023 (FTP 2023) has been recently introduced, but it falls short of addressing the challenges that Indian exporters are likely to face in the global market. India needs to adopt 21st-century trade policy instruments such as product and process standards to improve the quality and efficiency of products.

Foreign Trade Policy, 2023:

- The policy is dynamic and open-ended to accommodate the emerging needs of the time.
- It aims to promote India's overall exports, which has already crossed US\$ 750 Billion.
- **The key approach to the policy is based on these 4 pillars:**
 - ✓ Incentive to Remission,
 - ✓ Export promotion through collaboration – Exporters, States, Districts, Indian Missions,
 - ✓ Ease of doing business, reduction in transaction cost and e-initiatives and
 - ✓ Emerging Areas – E-Commerce Developing Districts as Export Hubs and streamlining SCOMET (Special Chemicals, Organisms, Materials, Equipment, and Technologies) Policy

FTP 2023's inadequate focus on 21st-century trade policy instruments

- **20th-century mindset:** The FTP 2023's primary focus is on regulating, prohibiting, and restricting trade, which is a 20th-century mindset. In contrast, most countries today rely on improving product quality and production efficiencies by rapidly infusing technology to expand their presence in global markets.
- **Focus on upgrading the current standards:** India needs to focus on upgrading institutions, production facilities, and promoting the development and facilitation of trade to meet the current standards.

Rejigging of export promotion schemes:

- **Export promotion schemes:** Export promotion schemes were modified after a WTO dispute settlement panel ruled against India in 2019, which found that these schemes provide export subsidies that are not allowed under WTO rules.
- **Remission of Duties:** The Remission of Duties or Taxes on Export Products (RoDTEP) Scheme was launched in 2021 to neutralize the effect of taxes and duties included in exported goods. The Rajya Sabha's Standing Committee on Commerce found several weaknesses in the scheme, and FTP 2023 should have responded to the recommendations.

Developing districts as export hubs

- FTP 2023 introduces the novel idea of developing districts as export hubs, which could help achieve the objective of balanced regional development.
- However, the policy only speaks of setting up export promotion committees at the district and state/UT levels, with no mention of supporting efficient infrastructure.

E-commerce and India's readiness to engage in the WTO:

- E-commerce is a focus area of FTP 2023, but India has opposed discussions on extending the rules of the WTO in this area.
- Moreover, advanced countries have been seeking data portability, which India has refused to accept.
- It remains unclear whether the mention of e-commerce in FTP 2023 implies that India is ready to engage in the WTO on this matter.

Conclusion:

- FTP 2023 falls short of addressing the challenges that Indian exporters are likely to face in the global market.
- It needs to focus on upgrading institutions, production facilities, and promoting the development and facilitation of trade, which requires the Directorate General of Foreign Trade (DGFT) to coordinate with all the standard-setting agencies of the government and relevant institutions in the private sector.
- Developing districts as export hubs could help achieve the objective of balanced regional development, but supporting efficient infrastructure is critical for the programme's success.

