

Foreign Trade Policy (2015-2020) - An Analytical Review

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Abstract

Foreign trade is the sector which connects the domestic economy with the rest of the world and provides the goods and services which nation and the economies across the world fail to produce with their domestic resources. For engaging in foreign trade, countries need to have their own foreign trade policies, which lay down the provisions that govern their trade in the international markets. India also went for framing many trade policies and the foreign trade policy of 2015-2020 is the latest addition to the group of trade policies of India. This paper aims to throw light on the basic provision, the feasibility of the new trade policy and its errors and omissions.

Keywords: Foreign Trade Policy, Provisions, Feasibility, Errors and Omissions

Introduction

Foreign trade plays a pivotal role in the business and life of all the nations of the world. Without the indulgence and involvement of foreign trade, life of the people and the economies of the world would come to a standstill. The policy which governs the maxims of the foreign trade and the way by which it should be carried is known as the foreign trade policy of that particular nation. In the case of India, it did not have any well-defined foreign trade policy before it gained independence from the shackles of British rule. It was only after gaining independence that India framed its own foreign trade policy and came out with different maxims and the canons that the foreign trade policy comprised of. It framed a decisive foreign trade policy which was capable of forwarding its trade

in various parts of the world with different nations of the world.

When the foreign trade policy came into existence, it became a torchbearer to the people who were either concerned with the functioning of the foreign trade or directly involved in the foreign trade. The policy of protection and the quantitative restrictions underwent certain big changes and this led to the major shift in the type and volume of the trade that was carried on with different nations. With this, there occurred a major shift in the policy of the Indian government towards the quantitative restrictions practised and the different types of tariffs that the nation practised to safeguard its trade in the world trade.

Besides this, the policy related to an outward-oriented policy was adopted in place of the inward-oriented policy so that India could reap the benefits of international trade in the world market. Various other measures related to correcting the anti-export bias and the policies of relaxed payments regime, export incentives, adoption of exchange rates decided by the market forces and practising transparency in the functioning of all the trade practices were adopted to lay down the basic competitive strategy to make the India economy competitive and future-ready to face any type of challenge in the trade at the level of international market and create a name of its own in the international trade.

Need of the Study

Foreign trade cannot be undertaken properly without proper foreign trade policy. Foreign trade policy lays down the broad guidelines to chalk out the strategies and methods along with the rules and regulations to guide

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the nature and components of the trade among different nations of the world. This necessitates the requirement to ponder over the facts related to the foreign trade policy and the details pertaining to its operation. Moreover, with the passage of time, the rules and regulations governing foreign trade become obsolete and can no longer be used to govern the trade practices. The rules which become outdated need to be replaced with the new rules and regulations to remain updated and carry on international trade according to the changing dynamics of the trade at an international level. Different policy reform measures, which have been undertaken after the independence to promote foreign trade of India, have been divided under different phases. The phases which form the broad framework of the policy measures of India are namely phase I (1947-48 to 1951-52), phase II (1952-1953 to 1956-57), phase III (1956-57 to June 1966), phase IV (June 1966 to 1975-76) and phase V (1975-76 onwards), New Trade Policy 1991 Exim Policy 2002-2007 FTP (2004-05 to 2008-09), FTP (2009-14) and supplements of different categories which focused on the betterment of the trade and commerce of India and forward the quantity and quality of the trade done by India and led India on the international frame as the harbinger of world trade. Yet another policy pertaining to the improvements in the trade norms of India was announced by the Indian government in the year 2015 on 1st April. The policy is laid down to cover 5 years from 2015 to 2020. It is with this thought that this paper entitled “Foreign trade policy (2015-2020) - An analytical review” has been written to throw light on the working and appraisal of the latest foreign policy.

Literature Review

The literature review is a guarantee of the authenticity of any research and the results of the research. It lays down the broad framework and the guidelines for the research work undertaken by the scholar and presents the present scope and history of the research area that has been selected by the researcher. The gist of some of the important studies that have been undertaken to arrive at decisive conclusions after doing research is written as under.

Mahapatra, Kelvin (2008), in his study has made a detailed analysis of the different trade policies adopted by the government of India from time to time. The research done by him under the name of “The Trade Reform Measures of India” puts forward the different views of the thinkers of liberalistic and protectionist streams.

Das, Jeevendra Nath (2009), in his paper related to the trade equations of India has dealt with the different needs of India related to trade. There are different needs of people based on the country and the basis of a specific region. He also throws light on the various natural endowments of India and how they can be utilized for forwarding the trade of the Indian economy.

Nair, Kavita K. (2012), in the esteemed paper written by her, discusses the growth potential of the cottage and small-scale industries of India. These are the deserving and the needy sections of India and if given proper care and support can work wonders for the economy and the economic development and growth of the nation as a whole.

Pathak, Divyansh (2013), in the paper written by him discuss the dimensions of the inward-oriented policy and the outward-oriented policy pursued by India and the pros and cons of different trade policies. His paper also discusses the changes that have been done from time to time in the trade policies.

Vision, Mission and Objectives of Foreign Trade Policy 2015-2020

Years 2015-2020 are covered by the latest foreign trade policy of India, which endeavours to make India a significant shareholder of the trade in international markets. It aims to escalate the trade of India and raise it to the tune of \$900 billion, by 2019-2020, and raise the percentage from 2 percent to 3.5 percent, in this duration. It aims to fulfil the following endeavours:

- Strive to make the policy stable and sustainable in terms of merchandise trade and the trade-in services.
- To carry forward the newly adopted policies of India like the policy ‘Digital India, the policy of make in India’ and last, but not the least, the policy of Skills India, etc., to develop the exports and the imports sector of India.
- FTP 2015-20 plans to take rigorous measures to diversify the foreign trade of India.
- The new policy of foreign trade also aims at taking various initiatives pertaining to the provisions that will expand the trade horizons of India and forward its make in India initiative.

- It also plans to make policy appraisals regularly and strive to correct the imbalance in the balance of trade of India.

Multiple Incentive Schemes Brought Under Two Umbrellas

The new trade policy aims at following the parameters laid down by the World Trade Organisation, by adopting the following measures under the two heads of:

- Merchandise Exports from India Scheme (MEIS) and
- Services Exports from India Scheme (SEIS).

The former scheme aims at the betterment of trade and the second one aims at improving the export services. It also seeks to forward the Focus Product Scheme; Focus Market Scheme; Agriculture Infrastructure Incentive Scrip and Vishesh Krishi Grameen Udyog Yojna.

Other Measures of FTP 2015-2020

FTP 2015-2020 has come forward with several other measures, which can be put as under:

- Special attention has been given to reviving the status of the SEZs by providing them with the beneficial schemes of SEIS.
- Some improvements have been streamlined in the export promotion schemes to enhance their performance in the long and short runs.
- The previous provisions of the export promotion of capital goods have been reformed, and now they have been made more relaxed.
- The exports of defence goods, environment-friendly commodities and the goods related to pharmacy have been provided with the provisions of tax breaks of 24 months which was previously only 18 months.
- It makes provisions for continuous trade policy appraisals in the import sector.
- It makes provisions for (i) online filing of documents/applications and paperless trade in 24×7 environment (ii) online inter-ministerial consultations; and (iii) simplification of producers/process, digitisation and e-governance.

- It provides for the interest subvention to the identified sectors that aims to cover 3 years. A business venture can avail the benefits based on its categorisation as:

- One-star export house: \$3 million
- Two-star export house: \$25 million
- Three-star export house: \$100 million
- Four-star export house: \$500 million

An Analytical Review of FTP 2015-2020 Feasibility of Export Target Under 2015-2020

FTP 2015-2020 has many outstanding provisions which make it trade-friendly. It aims to raise the export earnings from 465.9 billion in 2013-14 to \$900 billion in 2019-20, i.e. compound annual growth rate of 11.6%. But if we take into consideration the previous performances, than the achievement of this target seems quite impossible.

FTP 2015-2020 and the Omissions

Latest additions to the family of FTPs have also been criticised on the grounds of omissions in the foreign trade policy of 2015-2020 by renowned theorist and economist, Mr Rajeev Kumar. Major loopholes, according to him, are written as under:

- The tourism sector of India is not performing as it used to in the previous years. The reason for this sluggish performance may vary by any, but the tourists are not turning to the tourist destinations of India, that often and it is now merely 7.5 million arrivals per year.
- FTP 2015-2020 fails to focus on the provisions for the development of the MSME sector, which is the bread giver to a vast majority of the population of India. It amounts to a whopping 45% of the output produced by the manufacturing sector of India and 40% of the total exports done by India.
- The export sector is yet another area which has been neglected by the FTP 2015-2020. The development of the exports is an area which should be given prime importance by the foreign trade policy, but this sector has been mainly neglected which means that the policy fails miserably in its initiatives.

Conclusion

After gaining independence, India framed its foreign trade policies and since then many policies have been put forward by the Indian government to assist in the smooth functioning of the trade of India in the international market. The Foreign Trade Policy of 2015-2020 also guarantees the improvements in the provisions of trade and helps to lay down sound foundations for the trade sectors of India. It certainly will help India in gaining prominence in the international market and forward India on the path of development. It guarantees several benefits like special status to the SEZs, export promotion, export promotion of capital goods, exports of defence goods, environment-friendly commodities, pharmacy, etc. Apart from that, it also provided for tax breaks of 24 months, continuous trade policy appraisals in the import sector, online filling of documents/applications, paperless trade in 24×7 environment, online inter-ministerial consultations,

digitisation and e-governance and interest subvention. It has done tremendously well in these areas but fails miserably on the front of providing satisfactory treatment for the sectors like tourism and the MSME sector.

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