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Foreign trade policy extended by six months

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What's in News?

The government said it has decided to extend the existing Foreign Trade Policy (2015-20) by another six months till March 2023.

News Highlights:

- An Foreign Trade Policy (FTP) is an elaborate policy guideline and a strategy to promote export of goods and services.
- The existing policy came into force on **April 1, 2015, and was valid for five years –** till 2020.
- The FTP was deferred and the current policy extended from March 2020, as businesses grappled with the disruptions caused by the Covid-19 pandemic.
- Another extension was till September 30, 2022, as the government did not have anything substantial to roll-out in the new policy in the absence of any new incentive scheme.
- Now, it has been decided to extend the Foreign Trade Policy 2015-20, valid till September 30, 2022, for a further period of six months, w.e.f. October 1, 2022

Reasons for extension:

- Govt says time is not ripe to roll out the new policy
- Currently, fears of **a recession** in major economies like the US and Europe have escalated a panic among investors.
- Foreign investors have begun to pull back their money from equities as bears took control.
- Alongside **foreign funds outflow, the geo-political tension in Ukraine coupled with inflationary pressures and monetary policy tightening** has forced further weakening in the rupee against the US dollar.

Foreign Trade Policy:

- Foreign Trade Policy provides a framework for increasing exports of goods and services as well as generation of employment and increasing value addition in the country.
- It focuses to support both the manufacturing and services sectors, with a special emphasis on improving the ease of doing business.
- These are established by **the Directorate General of Foreign Trade (DGFT),** the governing body for the promotion and facilitation of exports and imports under the Ministry of Commerce and Industry.
- The Government, through the policy, primarily focuses on adopting a twin strategy of promoting traditional and sunrise sectors of exports including services

The FTP for 2015-2020 seeks to:

(i) provide a stable and sustainable policy environment for foreign trade in merchandise and services;

(ii) link rules, procedures and incentives for exports and imports with other initiatives such as ''Make in India', Digital India' and 'Skills India' to create an 'Export Promotion Mission';

(iii) promote the diversification of India's export basket by helping various sectors of the Indian economy to gain global competitiveness;

(iv) create an architecture for India's global trade engagement with a view to expanding its markets and better integrating with major regions, thereby increasing the demand for India's products and contributing to the 'Make in India' initiative; and

(v) provide a mechanism for regular appraisal in order to rationalise imports and reduce the trade balances.

The following are the components of the Foreign Trade Policy:

1.Merchandise Export from India Scheme – for export of specified goods to specified markets.

2.Service Export from India Scheme - for increasing exports of notified services, in place of a plethora of schemes earlier, with different conditions for eligibility and usage

3.Duty Credit Scrips - Duty Credit scrips are scrips given to exporters as “incentives” by the Government of India. Through Merchandise Exports from India Scheme (MEIS Scheme) scrips are given for goods exports and through Service Exports from India Scheme (SEIS Scheme) scrips are given for services exports. The value of the scrips is a percentage of the FOB (Freight on board) value of goods/services exported and are freely transferable. The scrips can be used to offset customs duty while importing.

4.Export Promotion Capital Goods (EPCG) is an export promotion scheme under which an exporter can import certain amount of capital goods at zero duty for upgrading technology related with exports.

5.On the other hand, advance authorisation is issued to allow duty free import of inputs, which is physically incorporated in export product.

6.Under the **Duty Free Import Authorisation (DFIA) scheme**, exporters are allowed to import certain goods like sugar at zero duty.