

India's Foreign Trade Policy 2023

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India has unveiled its Foreign Trade Policy 2023 ("FTP"), which intends to make doing business easier for exporters and seize every export opportunity. The policy document is based on the continuation of time-tested export facilitation schemes, as well as a document that is flexible and sensitive to trade requirements. It was developed following extensive stakeholder engagements, and it was released in the presence of the Union Minister of Commerce and Industry, Consumer Affairs, Food and Public Distribution, and Textiles, Shri Piyush Goyal.

The policy's main strategy is built on four pillars: Incentive to Remission, Export Promotion through Collaboration, Ease of Doing Business, and Emerging Areas. The policy stresses process re-engineering and automation to improve the ease of doing business for exporters and focuses on growing areas such as dual-use high-end technology items under Special Chemicals, Organisms, Materials, Equipment, and Technologies ("SCOMET"), promoting e-commerce export, partnering with States and Districts for export promotion. The new FTP has a one-time Amnesty Scheme that allows exporters to close old pending authorizations and begin again. It also promotes new towns through the "Towns of Export Excellence Scheme" and exporters through the "Status Holder Scheme."

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Introduction

India's Foreign Trade Policy 2023 was launched to make it easier for exporters to do business, recognise new towns and exporters, and streamline processes. The policy is supported by four pillars: Incentive to Remission, Export Promotion through Collaboration, Ease of Doing Business, and Emerging Areas.

Pillars of the Foreign Trade Policy

1. **Incentive to Remission:** The first pillar of the FTP 2023 is Incentive to Remission, which aims to provide exporters with a level playing field. The programme also intends to stimulate exports and provide assistance to exporters in terms of lowering manufacturing costs, such as logistics, raw materials, and other inputs.
2. **Export promotion through collaboration:** The second pillar is export promotion through collaboration, which attempts to foster collaboration among diverse stakeholders such as exporters, states, districts, and Indian missions. The FTP 2023 promotes new towns through the "Towns of Export Excellence Scheme" and exporters through the "Status Holder Scheme." The policy also intends to work with states and districts to promote exports.
3. **Ease of doing business:** The third pillar is Ease of doing business, which focuses on process re-engineering and automation to make it easier for exporters to do business. The plan emphasises export promotion and development, transitioning from an incentive regime to one based on technical interface and collaborative principles.
4. **Emerging areas:** The fourth pillar focuses on emerging areas such as dual-use high-end technology items under SCOMET, encouraging e-commerce export, and streamlining popular programmes such as Advance Authorization and Export Promotion of Capital Goods. ("EPCG")

Process Re-Engineering and Automation: Boosting India's Export Sector

The new FTP places reliance on exporters by utilizing automated Information Technology ("IT") systems with a risk management system for multiple clearances, which will be monitored manually. This change toward a technology-based interface will shift the incentive regime to a facilitating regime, emphasizing collaborative principles. Furthermore, significant process re-engineering and technological enablement will be implemented to assist exporters to preserve the effectiveness of ongoing programmes such as Advance Authorization and EPCG, etc.

Regional Offices will now administer duty exemption schemes for export production in a rule-based IT system, removing the need for manual interfaces. Furthermore, all processes associated with the Advance and EPCG schemes, such as issue, re-validation, and Export Obligation extension, will also be incorporated into the IT system. While situations identified using the risk management framework will still be manually reviewed, the bulk of applicants are expected to be initially covered by the automatic method.

Towns of Export Excellence and Recognition of Exporters

The addition of Faridabad, Mirzapur, Moradabad, and Varanasi as Towns of Export Excellence ("TEE") over and above the existing 39 towns, is intended to enhance handloom, handicraft, and carpet exports. TEEs will have priority

access to export promotion funding under the MAI plan, as well as Common Service Provider ("CSP") advantages for export fulfilment under the EPCG Scheme.

Export enterprises that have achieved status as a result of their export success will now be partners in capacity-building activities. Persons with a 2-star or higher rank would be encouraged to deliver trade-related training based on a model curriculum to interested individuals. This effort will assist India in developing a competent labour pool capable of serving a \$5 trillion economy by 2030. In addition to this, norms relating to Status Recognition have now been revised to provide more exporters with the ability to attain 4- and 5-star ratings.

Through the Districts as Export Hubs ("DEH") project, the FTP also intends to encourage exports at the district level and proliferate the development of the grassroots trade ecosystem. A State Export Promotion Committee and District Export Promotion Committee will be established at the State and District levels to identify export-worthy products and services, address concerns, and prepare district-specific export action plans outlining the district-specific strategy to promote the export of identified products and services.

India's Export Control Regime

India has been developing its ties with countries participating in the export control regime and emphasizing the "export control" regime. As a result, there is a greater awareness and knowledge of SCOMET among stakeholders, and the policy regime is being strengthened to better implement India's international treaties and accords. The goal is to establish a strong export control system in India that will allow Indian exporters access to dual-use high-end goods and technology while also allowing exports of controlled items/technologies under SCOMET from India.

Facilitating E-Commerce Exports

E-commerce exports have tremendous potential, with estimations ranging from \$200 to \$300 billion by 2030. The FTP 2023 describes the goal and path for developing e-commerce hubs, as well as related features such as payment reconciliation, bookkeeping, returns policy, and export rights, to capitalize on this potential. In the FTP 2023, the consignment-wise cap on E-Commerce exports via courier has been enhanced from 5 lakhs to 10 lakhs. Furthermore, the integration of Courier and Postal exports with ICEGATE will allow exporters to obtain FTP benefits.

Based on the recommendations of the working committee on e-commerce exports and inter-ministerial deliberations, an exhaustive e-commerce policy addressing the export/import ecosystem would be developed soon. Extensive outreach and training initiatives will be carried out to strengthen the capacity of artisans, weavers, garment makers, gems, and jewelry designers to onboard them on E-Commerce platforms and facilitate increased exports.

Facilitation under the Export Promotion of Capital Goods Scheme

The EPCG Scheme, which allows the import of capital items at zero customs charge for export production, is being streamlined further. The Prime Minister Mega Integrated Textile Region and Apparel Parks (PM MITRA) plan has been added as a new scheme that is eligible for benefits under the CSP Scheme of the EPCG. To assist the dairy sector in updating technology, the dairy sector will be spared from maintaining the Average Export Obligation. Classification of Green Technology products has now been amended to include

Battery Electric Vehicles of all types, Vertical Farming equipment, Wastewater Treatment and Recycling, Rainwater Harvesting Systems and Rainwater Filters, and Green Hydrogen, making them eligible for reduced Export Obligation requirements under the EPCG Scheme.

Facilitation under Advance Authorization Scheme

The Advance Authorization Scheme, which DTA units can use, allows the duty-free import of raw materials for the manufacture of export commodities and is similar to the EOU and SEZ schemes. Based on communications exchanged with industry and Export Promotion Councils, certain facilitation elements have been added to the current FTP. To assist the fast execution of export orders, the Special Advance Authorization Scheme has been extended to the Apparel and Clothing sector under HBP paragraph 4.07, on a self-declaration basis. The benefits of the Self-Ratification Scheme for establishing Input-Output Norms have been extended to 2-star and above status holders, as well as Authorized Economic Operators.

Merchanting Trade

The FTP 2023 includes measures for merchanting commerce to grow India into a merchanting trade center. Under the new export policy, merchanting trade in restricted and prohibited commodities is now made possible. Merchanting trade entails the shipment of commodities from one foreign country to another foreign country without passing through Indian ports, with the assistance of an Indian intermediary. This, however, will be subject to conformity with RBI standards and will not apply to goods/items on the CITES and SCOMET lists. Over time, this will enable Indian entrepreneurs to transform locales like GIFT city into significant merchanting hubs, as seen in countries like Dubai.

Amnesty Scheme

In order to ensure redressal of issues faced by exporters, the government has declared its intent to reduce litigation and cultivate trust-based relationships. In pursuance of its "Vivaad se Vishwas" initiative, envisioned the amicable settlement of tax disputes, the government has introduced a one-time Amnesty Scheme, the scheme is intended to provide effective redressal to exporters who have not been able to meet their obligations under EPCG and Advance Authorizations, and who are aggrieved by high duty and interest costs relating to pending cases and the entirety of cases pending with respect to default in meeting Export Obligation of authorizations mentioned can be regularized on payment of all customs duties priorly exempted, on a pro-rata basis to the unfulfilled Export Obligation, with a cap of 100% on the interest payable on exempted duties under the scheme. Further, the interest payable on the portion of Additional Customs Duty and Special Additional Customs Duty has now been withdrawn so as to reduce the interest burden on exporters. This scheme is aimed at giving exporters an opportunity to start afresh and come into compliance.

Conclusion

Several measures have been implemented in the FTP to improve the ease of doing business and promote exports in India. The policy aims to simplify the SCOMET policy, facilitate e-commerce exports, rationalize the EPCG scheme, implement measures for merchanting trade, and give a one-time amnesty plan for defaulting exporters. These steps are projected to improve the Indian economy and assist it in becoming a key player in global trade. It is envisaged that these activities will contribute to the creation of a favorable business environment for Indian exporters, allowing them to

capitalize on the numerous opportunities available in the global marketplace.

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