



EXIM POLICY (2015-2020): TAKING INDIAN EXPORTS TOWARDS SUSTAINABLE AND LASTING GROWTH

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ABSTRACT

Foreign trade plays a major part in India's economy, so much so that foreign trade policy deserves a special focus and dedicated attention as a key constituent of India's economic policies. The new EXIM Policy (2015-20) provides a framework for increasing exports of goods and services as well as generation of employment and increasing value addition in the country, in keeping with the "Make in India" vision. The policy provides a stable and sustainable environment for foreign trade in merchandise and services. It also link rules, procedures and incentives for exports and imports with other initiatives such as "Make in India", "Digital India" and "Skills India", thereby, helping various sectors of the economy to gain global competitiveness and creating an architecture for India's global trade engagement with a view to expanding its markets and better integration with major regions.

The objective of this paper is to study and analyse the contribution of new EXIM Policy in enhancing India's export with the rest of the world. The paper also examines the various measures taken by the current policy for augmenting India's export competitiveness in a global market place.

Keywords: *EXIM Policy (2015-20), Exports, Imports, Global Competitiveness etc.*

I. INTRODUCTION

The Export-Import Policy (EXIM Policy), announced under the Foreign Trade (Development and Regulation Act), 1992, would reflect the extent of regulations or liberalization of foreign trade and indicate the measures for export promotion. The new EXIM Policy has been formulated focusing increase in export scenario, boosting production and supporting the concepts like Make in India and Digital India.

The integration of the domestic economy through the twin channels of trade and capital flows has accelerated in the past two decades which in turn led to the Indian economy growing from Rs 32 trillion (US\$ 474.37 billion)



in 2004 to about Rs 153 trillion (US\$ 2.3 trillion) by 2016. Simultaneously, the per capita income also nearly trebled during these years. India's trade and external sector had a significant impact on the GDP growth as well as expansion in per capita income.

Total merchandise exports from India grew by 4.48 per cent year-on-year to US\$ 25.83 billion in February 2018, while merchandise trade deficit increased 25.81 per cent year-on-year from US \$ 11.979 billion during April-February 2017-18 to US \$ 9.521 billion during April-February 2017-18, according to data from the Ministry of Commerce & Industry.

According to Mr Suresh Prabhu, Minister for Commerce and Industry, the Government of India is keen to grow exports and provide more jobs for the young, talented, well-educated and even semi-skilled and unskilled workforce of India.

Capital Inflows

According to data released by the Reserve Bank of India (RBI), India's foreign exchange reserves were US\$ 421.335 billion as on March 16, 2018.

Foreign Direct Investments (FDI)

During April 2000–December 2017, India received total foreign investment (including equity inflows, re-invested earnings and other capital) worth US\$ 532.6 billion. The country was one of the top destinations for FDI inflows from Asian countries, with Mauritius contributing 34 per cent, Singapore 17 per cent and Japan and UK contributing 7 per cent each of the total foreign inflows.

Foreign Institutional Investors (FIIs)

FIIs net investments in Indian equities, debt and hybrid stood at Rs 145,068 crores (US\$ 22.34 billion) in 2017-18.

External Sector

India's external sector has a bright future as global trade is expected to grow at 4 per cent in 2018 from 2.4 per cent in 2016.

Bilateral trade between India and Ghana is rising exponentially and is expected to grow from US\$ 3 billion to US\$ 5 billion over the coming three years, stated Mr Aaron Mike Oquaye Junior, Ghana's Ambassador to India. India has revised its proposal on trade facilitation for services (TFS) at the World Trade Organisation (WTO) and has issued a new draft, with the contents being more meaningful and acceptable to other member countries. Indian exports of merchandise shipments is expected to reach US\$ 325 billion in 2017-18, compared to US\$ 275 billion in 2016-17, as per Mr Ganesh Kumar Gupta, President, Federation of Indian Export Organisations (FIEO).

The Union Cabinet, Government of India, has approved the proposed Memorandum of Understanding (MoU) between Export-Import Bank of India (EXIM Bank) and Export-Import Bank of Korea (KEXIM).

The Goods and Services Network (GSTN) has signed a memorandum of understanding (MoU) with Mr Ajay K Bhalla, Director General of Foreign Trade (DGFT), to share realised foreign exchange and import-export code



data, process export transactions of taxpayers under goods and services tax (GST) more efficiently, increase transparency and reduce human interface.

In March 2017, the Union Cabinet approved the signing of the customs convention on the international transport of goods, Transports Internationaux Routiers (TIR) making India the 71st signatory to the treaty, which will enable the movement of goods throughout these countries in Asia and Europe and will allow the country to take full benefit of the International North South Transportation Corridor (INSTC).

Mr Richard Verma, the United States Ambassador to India, has verified that India-US relations across trade, defence and social ties will be among the top priorities of the newly elected US President Mr Donald Trump's administration.

II. INDIA'S EXPORT PERFORMANCE

In IMF's World Economic Outlook (January 19, 2016) India and the rest of emerging Asia are generally projected to continue growing at a robust pace. As per Economic Survey 2015-16, the projected growth rate of GDP for the year 2015-16 is likely to be between 7% to 7.6%. There is unusual volatility in the international economic environment.

Markets have begun to swing on fears that the global recovery may be faltering, while risks of extreme events are rising. Amidst this gloomy landscape, India stands out as a haven of stability and an outpost of opportunity. Its macro-economy is stable, founded on the government's commitment to fiscal consolidation and low inflation. Its economic growth is amongst the highest in the world, helped by a reorientation of government spending toward needed public infrastructure. These achievements are remarkable not least because they have been accomplished in the face of global headwinds and a second successive season of poor rainfall. As per the current rankings for the year 2014, India is the 19th largest exporter (with a share of 1.7%) and 12th largest importer (with a share of 2.4%) of merchandise trade in the world. In Commercial Services Exports, India is the 8th largest exporter in 2014 (with a share of 3.2%). In imports of commercial services India ranks 10th (with a share of 2.6%). India's merchandise exports for the year 2014-15 stood at US \$ 310.33 billion as against US \$ 314.40 billion in 2013-14 registering a negative growth of 1.29%, while imports in 2014-15 came down to US \$ 448.03 billion from US \$ 450.20 billion in 2013-14 registering a negative growth of 0.48%. The Trade deficit in 2014-15 stood at US \$ 137.69 billion. Exports during January, 2016 were valued at US\$ 21.1 billion which was 13.60 per cent lower in Dollar terms than the level of US\$ 24.4 billion during January, 2015. Cumulative value of exports for the period April-January 2015-16 was US\$ 217.7 billion as against US\$ 264.3 billion registering a negative growth of 17.65 per cent in Dollar terms over the same period last year. Non-petroleum exports in January 2016 are valued at US\$ 19.1 billion against US\$ 21.4 billion in January 2015, a reduction of 10.55%. Non-petroleum exports during April to January 2016 are valued at US\$ 192.4 billion as compared to US\$ 212.7 billion for the corresponding period in 2015, a reduction of 9.6%.



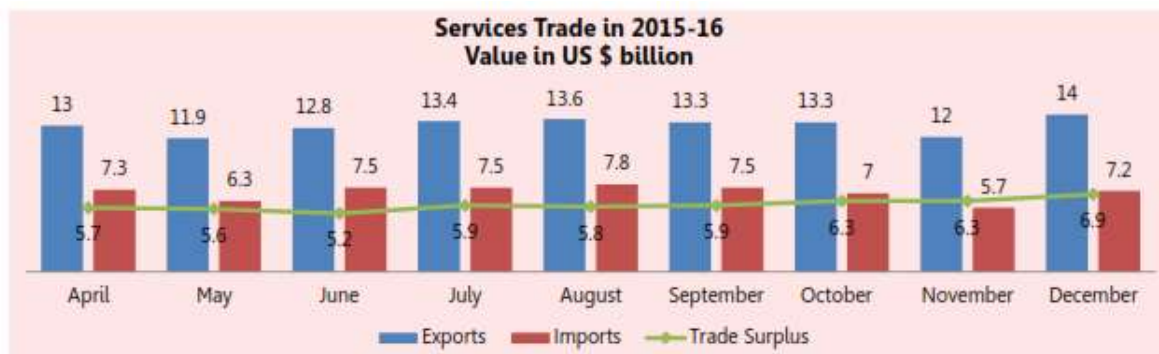
Oil imports during January, 2016 were valued at US\$ 5.0 billion which was 39.01 per cent lower than oil imports valued at US\$ 8.2 billion in the corresponding period last year. Oil imports during April-January, 2015-16 were valued at US\$ 73.1 billion which was 41.43 per cent lower than the oil imports of US\$ 124.8 billion in the corresponding period last year. The trend of falling exports is in tandem with other major world economies. The growth in exports have fallen for USA (10.51%), European Union (9.48%) and China (7.01%) for November 2015 over the corresponding period previous year as per WTO statistics.



Source: WTO



Source: Department of Commerce, Press Releases.



Source: RBI

III. TRADE POLICY MEASURES FOR BOOSTING EXPORTS

A new FTP for the period 2015-20 was announced on 1 April 2015, with a focus on supporting both manufacturing and services exports and improving the 'Ease of Doing Business'. It aims to increase India's exports to US\$900 billion by 2019-20. It also provides the road map adopted by the government to improving the 'Ease of Doing Business'.

- The government has reduced the number of mandatory documents required for exports and imports to three each, which is comparable with international benchmarks. The trade community can file applications online for various trade-related schemes. Online payment of application fees through credit/debit cards and electronic funds transfer from 53 banks has been put in place.
- Customs Single Window Initiative: The Union Budget 2014-15 announced an Indian Customs Single Window Project to facilitate trade. This project envisages that importers and exporters will electronically submit their customs clearance documents at a single point with customs. Any permissions required from other regulatory agencies (such as animal quarantine, plant quarantine, drug controller and textile committee) could be obtained online without the importer / exporter having to separately approach these agencies. The single window will thus provide importers / exporters a single point interface for customs clearance of import and export goods, thereby reducing personal interface with governmental agencies, dwell time and cost of doing business. With effect from 1 April 2015, an electronic exchange facility has been established between customs and the Food Safety and Standards Authority of India (FSSAI), the Department of Plant Protection, Quarantine and Storage (PQIS) at the Jawaharlal Nehru Port Trust (JNPT) (Nhava Sheva), inland container depot (ICD), Tughlakabad and ICD, Patparganj, for online message exchange, including no objection certificates (NOC) with/from these agencies. Other regulatory agencies such as animal quarantine, the textile committee, the drug controller of India and wildlife authorities are also being brought within the ambit of single window customs clearance.
- 24x7 Customs Clearance: With effect from 31 December 2014, the facility of 24x7 customs clearance for specified imports, namely goods covered under 'facilitated' bills of entry, and specified exports,



namely factory stuffed containers and goods exported under free shipping bills, have been made available at 18 seaports. Similarly, the facility of 24x7 customs clearance for specified imports, namely goods covered by facilitated bills of entry and all exports, namely goods covered by all shipping bills has been extended at 17 air cargo complexes. This will help in faster clearance of such import and export goods, reduce dwell time and lower the transaction cost.

- One of the major objectives of the new FTP is to move towards a paperless 24x7 working environment.
- A new facility has been created to upload documents in exporter/importer profile so that exporters are not required to submit documents repeatedly.
- Attention has also been paid to simplifying various 'aayat niryat' forms, bringing in clarity in different provisions, removing ambiguities and enhancing electronic governance.
- The Directorate General of Foreign Trade (DGFT) has launched a new-look website, making it more user-friendly and easy to navigate. The DGFT website has a large dynamic component whereby the trade community can file applications online for importer exporter code (IEC) and various other schemes of the DGFT. Exporters can also see the status of their electronic bank realization certificates almost in real time.
- The website is rich in content with all documents related to FTP along with a responsive online grievance redressal system.
- The DGFT launched a 'DGFT' mobile application in June 2015. The application allows exporters/importers to access foreign trade policy and other related documents in an easy-to-use searchable format and check status of transmission of various authorizations and shipping bills, etc.
- Training/Outreach Programmes for Exporters:

The Niryat Bandhu Scheme has been galvanized to achieve the objectives of Skill India. Outreach activities are being organized at MSME (micro, small and medium enterprises) clusters with the help of export promotion councils (EPCs) and other willing 'industry partners' and 'knowledge partners'.

More than 20,000 entrepreneurs have been given exposure by DGFT regional offices under the Niryat Bandhu Scheme. In September 2015, the DGFT in collaboration with the Indian Institute of Foreign Trade (IIFT) has launched 'Niryat Bandhu at Your Desktop', an online certificate programme in export import business. The programme has elicited very good response. Four programmes have been completed.

- An ambitious outreach programme has been launched by the Department of Commerce (DoC) for exporters located in the major export clusters/cities. The programme focuses on:

Training exporters to utilize free trade agreements (FTA).

Taking inputs from exporters on FTAs under negotiation, for example the Regional Comprehensive Economic Policy (RCEP).

Promoting awareness about the contents of the [www:indiantradeportal.in](http://www.indiantradeportal.in) launched by the DoC.

Other Important Measures



- A Council for Trade Development and Promotion has been constituted in July 2015 to ensure continuous dialogue with the governments of states/ union territories (UT) on measures for providing an international trade-enabling environment and for making the states active partners in boosting India's exports. The first meeting of the council was held on 8 January 2016.
- The state / UT governments have been requested to develop their export strategy, appoint export commissioners, address infrastructure constraints restricting movement of goods, facilitate refund of value-added tax (VAT) / octroy / state-level cess, address other issues relating to various clearances and build capacity of new exporters in order to promote exports. States and UTs have also been issued user-ids and passwords to facilitate access to the foreign trade database maintained by the Directorate General of Commercial Intelligence & Statistics (DGCI&S) to extract the export data relating to their states.

IV. ENHANCEMENT OF EXPORT MEASURES DURING MID-TIME REVIEW OF FTP (2015-2020)

- In the Mid-Term Review of the Foreign Trade Policy (FTP) 2015-20 the Ministry of Commerce and Industry has enhanced the scope of Merchandise Exports from India Scheme (MEIS) and Service Exports from India Scheme (SEIS), increased MEIS incentive raised for ready-made garments and made- ups by 2 per cent, raised SEIS incentive by 2 per cent and increased the validity of Duty Credit Scrips from 18 months to 24 months. All export and import-related activities are governed by the Foreign Trade Policy (FTP), which is aimed at enhancing the country's exports and use trade expansion as an effective instrument of economic growth and employment generation.
- The Department of Commerce has announced increased support for export of various products and included some additional items under the Merchandise Exports from India Scheme (MEIS) in order to help exporters to overcome the challenges faced by them.
- The Central Board of Excise and Customs (CBEC) has developed an 'integrated declaration' process leading to the creation of a single window which will provide the importers and exporters a single point interface for customs clearance of import and export goods.
- As part of the FTP strategy of market expansion, India has signed a Comprehensive Economic Partnership Agreement with South Korea which will provide enhanced market access to Indian exports. These trade agreements are in line with India's Look East Policy. To upgrade export sector infrastructure, 'Towns of Export Excellence' and units located therein will be granted additional focused support and incentives.



- RBI has simplified the rules for credit to exporters, through which they can now get long-term advance from banks for up to 10 years to service their contracts. This measure will help exporters get into long-term contracts while aiding the overall export performance.
- The Government of India is expected to announce an interest subsidy scheme for exporters in order to boost exports and explore new markets.

V. IMPACT ON THE ECONOMY

The Exim policy "2015-2020" has expected to double the share of India in world trade from present level of 3% by the year 2020. Simplifying the existing multiple schemes, the new policy has come up with new schemes MEIS and SEIS that reduces the complexities and encourage the entrepreneur. Similarly use of technology to perform the compliance reduces the transaction cost and manual errors.

This policy has also focused moving away from reliance on subsidies. By extending benefits under EPCG on domestic procurement and offering them new products under MEIS, the policy further seeks to incentive the exports.

Generation of new employment and providing quality products at reasonable prices to consumers are expected to be delivered by the policy. In short EXIM policy boosts productivity and earn exportable surplus at competitive rates in export.

VI. CONCLUSION

India is currently known as one of the most important players in the global economic background. The technological and infrastructural developments being carried out throughout the country augur well for the trade and economic sector in the years to come.

The EXIM Policy "2015-2020" is highly exemplary as it emphasises on developing export potential, creating favourable balance of BOP resolving high quality complaints and trade disputes.

By implementing the FTP 2014-19, by 2020, India's share in world trade is expected to double from the present level of three per cent.

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