

Mid-Term Review of Foreign Trade Policy

Why in news?

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The mid-term review of the five-year Foreign Trade Policy (FTP), which was rolled out in 2015, was released recently.

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What are the highlights?

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- **Incentives** - Incentives under the Merchandise Export from India Scheme (MEIS) have been raised.

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- An increase from 2% to 4% for leather, textiles, agriculture products and carpets has been announced in this regard.

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- Service Exports from India Scheme (SEIS) incentive is raised by 2% with a view to boosting services sector exports.

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- Also, supplies of goods and services to SEZs to be treated as zero rated under GST.

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- Import of second hand goods for repair/refurbishing/re-conditioning/re-engineering is made free.

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- **Scripts**- Exporters are given duty exemption scrips under the FTP, pegged at a certain percentage of the total value of their exports.

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- The scrips can be used to pay duties on inputs including customs levies and can also be traded in the market.

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- Validity of Duty Credit Scrips has been increased from 18 to 24 months to enhance their utility in the GST framework.

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- The GST for transfer and sale of these scrips has been abolished and brought to zero from 12%.

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- The Centre has also allowed duty free imports for exports against self-certification.
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- **Support systems** - A professional team will be set up to assist and support exporters in accessing markets, meeting regulatory norms, etc.
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- A team of experts will also be set up to assist exporters on **GST**.
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- A New Logistics Division to promote integrated development of the logistics sector will be put in place.
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- The round-the-clock customs clearance facility has been extended to more number of sea ports and air cargo complexes.
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- State-of-the-art trade analytics division in DGFT (Directorate General of Foreign Trade) will be set up for data-based policy actions.
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- New Services Division is planned in DGFT to examine Exim policies and procedures to push services exports.
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- **Besides**, new agricultural exports policy to focus on increasing exports of value-added agri products will be rolled out.
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- Further, to address the capital blockage and liquidity problems of exporters, the government plans an e-wallet from April 1, 2018.
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What are the possible benefits?

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- Export is a strategic part of economic policy and thus logically a part of the foreign policy too.
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- FTP review focuses on improving ease of trading across borders for exporters and importers.
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- It also focusses on exploring new markets and products aimed at increasing India's share in the traditional markets and products.
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- This is perhaps to enhance participation of Indian industry in global value chains.

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- Promotion of exports by MSMEs and labour intensive sectors is expected to increase employment opportunities for the youth.

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- The review is aimed at taking corrective steps by assessing the impact of export sops on various sectors.

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- However, the package may not lead to immediate export growth but may contribute to stall the decline in growth of shipments.

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Source: Economic Times, Business Standard

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