1. Analyze the New Foreign Trade Policy of 2015-2020, amidst the rising challenge of decreased demand for exports due to impeding global slowdowns? Also discuss some adjustments that can be made in advance to face the upcoming slowdown in least impacting way? (250 Words)

Answer:

- Foreign Trade Policy (FTP) of a country are government actions, especially tariffs, import quotas, and export subsidies, designed to increase net exports by promoting exports or restricting imports.
- Currently International trade is facing slowdown due to weakening of global demand especially in developed countries & readjustment of Chinese economy. Its impact is clearly visible on the India's foreign trade as export declined by 15.3 per cent to $261billion in 2015-16. To recover from the shrinking exports & boost economic activity in the country government announced FTP 2015-2020.
  a) The New FTP recognize a 'whole-of-government' approach which looks to streamline the State and Union Territory (UT) Governments and various departments and ministries of the Government of India in the process of international trade. This approach will enhance the direct participation of states to improve on exports, finding new areas of expertise & new markets to focus. However, the framework of this coordination is still not clear.
  b) Multiple schemes will be replaced with two major schemes i.e. Manufacturing Exports from India Scheme (MEIS) & Service Export from India Schemes (SEIS), this will simplify the whole process for better implementation. These schemes are also extended to SEZs, this move will enhance the efficiency & capacity utilization of SEZs.
  c) The Policy encourages procurement of capital goods from indigenous manufacturers under EPCG scheme and export obligation has been reduced to 75% as against 90% earlier. This will promote the domestic capital goods manufacturing industry.Such flexibilities will help exporters to develop their productive capacities for both local and global consumption.
  d) Duty credit scrips issued under MEIS and SEIS and the goods imported against these scrips are fully transferable and usable for payment of customs duty, excise duty and service tax. This will translate the use of these scrips without delay & for multipurpose.
  e) Online filing of documents/ applications and Paperless trade in 24×7 environment will improve Trade facilitation and enhancing the ease of doing business. Recently, the government has reduced the number of mandatory documents required for exports and imports to three, which is comparable with international benchmarks.
  f) Agricultural and village industry products to be supported across the globe at rates of 3% and 5% under MEIS. Higher level of support to be provided to processed and packaged agricultural and food items under MEIS. This will

reduce the agriculture wastage & enhance rural economic activity. Industrial products to be supported in major markets at rates ranging from 2% to 3%.

- There are few areas of concern like MEIS, for example, is a new scheme that is aimed and boosting exports but of specified goods to specified markets and SEIS is for increasing services exports of notified services. The markets are yet not free and the government's new Policy is still trying to keep itself entrenched as a conduit between Indian exporters and their markets. SEZs in India is not performing for what they were expected, they just become place of IT companies enjoying tax holiday without significantly contributing toward manufacturing. New policy has not given required attention to boost manufacturing in SEZs.
- It is predicted that global slowdown will remain in the near future, India need to make some adjustment to it.
  a) India should implement the GST, as this will reduce the taxation burden on export products & simplify the process.
  b) Structural & taxation reforms are required to boost the manufacturing at SEZs.
  c) India need to work out new Regional Trade Agreements & RCEP Agreement need to be given priority in wake of TTP of which India is not a member.
  d) Government need to clear its stand on Minimum Alternate Tax (MAT) and Dividend Distribution Tax (DDT) to clarify the doubts of investor & stay away from retrospective taxation for stable taxation regime & to build confidence of investors in India.
- New FTP envisage to achieve $ 900 billion export & 3.5% foreign trade share by 2020.In current circumstances & predicted global slowdown to be continued, these targets will be a challenging task for India, however, sustained efforts to boost domestic manufacturing, stable taxation, removing infrastructure & technological bottlenecks, exploration of new markets & diversification of export products can enable India to achieve its target.

PRACTICE QUESTIONS

Answer the following Questions

1. President Trump's JCPOA withdrawal creates new challenge for Indian diplomacy. Analyze. (250 words)
2. Agriculture is being severely impacted by climate change and extreme weather events. Discuss ways of mitigating this challenge. (250 words)