INTERVIEW: SANTOSH KUMAR SARANGI, Director General of Foreign Trade

'India has learnt from past mistakes and got creative in signing FTAs'

Santosh Kumar Sarangi, Director General of Foreign Trade, says once trade normalcy is restored after the Ukraine war, there are ample opportunities for India to raise exports of farm commodities, pharmaceuticals, electronics and iron and steel. In his first interview as the DGFT chief, Sarangi tells FE's ***Banikinkar Pattanayak*** *that the government has been working to ensure exporters to Russia receive payment for past supplies without violating western sanctions. He stresses India has learnt from its past mistakes and has got more creative now to forge balanced FTAs. He defends India's import tariffs, saying they are well below the levels allowed by the WTO. Over 57% of exporters' outstanding claims of ₹56,027 crore until FY21, under various export promotion schemes, were settled in FY22 alone and the rest will be taken up in FY23; this has improved their liquidity. The next foreign trade policy will focus more on ease of exports and enable e-commerce players, small-time exporters and farmers to jump on the export bandwagon. Excerpts:*

India has achieved a record merchandise export of $418 billion in FY22. While this is a remarkable feat, how are you planning to scale up exports in FY23 from this elevated level?

Exports have seen tremendous growth in 2021-22. The momentum will have to be carried forward by our exporters through a combination of supply-side capacity augmentation in key sectors, including engineering goods, electronics, farm & marine products and chemicals, continuous efforts at improving logistics and leveraging new markets while deepening presence in existing ones. Efforts to ensure ease of doing business, improve manufacturing through production-linked incentive schemes, strive for more FTAs while better utilising benefits under existing trade pacts, etc. will have to continue.

While developed countries might be having low tariffs, they have been raising non-tariff barriers with regard to standards, quality control orders, maximum residue levels, etc.

What are the risks to and opportunities for Indian exporters from the Ukraine-Russia conflict?

While it's difficult to predict on this at this juncture, it is bound to cause some supply-side disruptions and put pressure on inflation. In the eventuality of the current situation getting protracted, the supply of commodities like sunflower oil, certain varieties of fertilisers, select pulses, newsprint, etc. may get impacted. However, as and when trade normalcy is restored, there is also an immense opportunity to increase India's exports in farm and marine items, pharmaceutical products, mobile phones, electronic goods, articles of iron and steel, etc.

Traditionally, Russia has been a big importer of agricultural products, including dairy items, meat, sesame seed, groundnut, tea and coffee, and India is on a strong footing to meet the potential rise in demand for such products. Similarly, demand for pharmaceutical products is likely to remain high. Apart from that, the post-war situation is likely to create short-to-medium-term opportunities in articles of iron and steel, engineering products, articles of aluminium, etc.

What is the commerce ministry's plan to ensure payments for trade with Russia are not delayed or stuck due to sanctions on Moscow?

Entities, including banks, can do transactions without violating the conditions of sanctions. As of now, the department of financial services and the Reserve Bank of India are monitoring the situation. The department of commerce has been providing inputs from the exporters to ensure that their payment, especially those who had done shipment prior to the breaking out of the war in Ukraine, is not stuck and remittances are received without violating the conditions of sanctions.

India has signed an FTA with the UAE and another trade deal with Australia. It's also planning to forge FTAs with the UK, the EU, GCC members, Canada, etc. Are bilateral deals going to be the new strategy for India to boost exports in a world where rule-based multilateral trading system, represented by the WTO, remains under threat from some of the very countries that once advocated it?

FTAs in whatever form, bilateral as well as multilateral, are welcome as long as a balanced trade deal is forged. Learning from our previous FTAs, there has been greater protection for items where domestic sensitivities are high; there has been more creative and nuanced mechanism for tariff concessions (for instance, duty relief for only premium Australian wine under the latest trade deal) and greater thrust on leveraging India's strength in labour-intensive segments like farm products, textiles & garments, leather goods, gems and jewellery, etc.

Scrips worth over Rs 32,000 crore were issued to exporters in FY22 against claims under the MEIS, SEIS, Target Plus, Focus Product Scheme and Focus Market Scheme

While FTAs are being forged, India's 'high' tariffs are still frowned upon by some advanced economies. How do you view it?

India's high tariff is a misnomer in so far as India's average tariff has declined over time. However, there are tariff peaks on certain items where domestic sensitivities are high, and that is not unique to India. Other countries also impose high tariffs on certain items. Further, the tariffs on certain sensitive items from India's perspective are well below the WTO-committed bound rates (the maximum rates of tariffs that the country is allowed to impose on different products under the WTO rules).

While developed countries might be having low tariffs, they have been raising the non-tariff barriers with regard to standards, quality control orders, maximum residue levels, etc.

It has to be kept in mind that India's applied tariff rates are much below its WTO obligations. Developed countries may have adopted a low tariff regime but the 'water' (the difference between the WTO bound rate and actual tariff) available with the advanced countries is minimal or non-existent. In spite of the fact that WTO rules permit India to impose higher tariffs, New Delhi has consciously taken the decision to progressively reduce its tariff regime.

The government, in September 2021, announced that it would release ₹56,027 crore to clear all the pending dues owed to exporters under various schemes until FY21. How much of the outstanding amount has been disbursed in FY22?

The government has stood by its commitments. Out of the claims received under schemes like the MEIS, SEIS, Target Plus, Focus Product Scheme and Focus Market Scheme, more than ₹32,000 crore worth of scrips have been approved. The rest of the claims will be taken up in the current fiscal.

When will the next foreign trade policy (FTP) be announced and how will it be different from the current one?

The work on the new FTP has been going on in consultations with various stakeholders and it will come out soon. It will be different in terms of its focus, not so much on the announcement of new schemes, but in terms of its emphasis on the ease of exports, the simplification of procedures to facilitate exports, recognition of the role of e-commerce in facilitating our small exporters, artisans, weavers and farmer producer societies, etc. to jump on the export bandwagon, and in creating better ecosystem at state and district levels for exports.