

● LONG-TERM CONTRACTS

New FTP to refrain from big-bang fiscal sops

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WITH MOST OF the key schemes having already been announced, the next five-year foreign trade policy (FTP) is unlikely to roll out any big-bang programme involving substantial fiscal incentives for exporters this time, sources told *FE*. The government's plan to replace the current law for special economic zones with a new one, to make such duty-free enclaves more attractive to investors, may also be announced separately.

The new FTP is expected to come into effect from April 1, unless the validity of the existing one — already extended by two years in the wake of the pandemic — is granted further extension.

This will be a break from the past. The government had announced the Merchandise Export from India Scheme (MEIS) in 2015, when the cur-

rent FTP was rolled out, by merging five different schemes and sharply raising budgetary allocation for it. It had allocated as much as ₹39,097 crore for exporters under the MEIS for the pre-pandemic year (FY20). This scheme was replaced with the Remission of Duties and Taxes on Exported Products (RoDTEP) programme from January 2021.

Nevertheless, the commerce ministry may revamp the Service Exports from India Scheme (SEIS) to cover more businesses, especially MSMEs, or announce a new programme altogether in the FTP to replace it. Moreover, it will focus on easing the compliance burden of exporters, overhaul various registrations and licensing requirements and bring in a “new-age facilitation framework” to help drive up exports to \$1 trillion by FY28 from \$400 billion this fiscal, one of the sources said.

Already, the government



has earmarked ₹21,340 crore for tax remission schemes for exporters like RoDTEP and RoSCTL in the Budget for FY23. This has substantially reduced the scope for any new big programme, apart from the one for services exporters. As such, commerce & industry minister Piyush Goyal has repeatedly exhorted exporters to shun the crutches of subsidies and instead boost their competitiveness, which would be key to achieving sustainable export growth.

Since the FTP is being

designed in the aftermath of the Covid-19 outbreak, it would lay stress on ensuring India's greater integration with the global supply chain and reducing its elevated logistics costs. Moreover, the Atmanirbhar Bharat initiative will find a befitting expression in the policy, according to the sources. Already, the commerce ministry has set a target to bring down India's elevated logistics costs — long blamed for eroding the competitiveness of exporters — by as much as

five percentage points over the next five years from the current 13-14% of gross domestic product (GDP).

The new policy will come at a time when exports are seeking to take advantage of an industrial resurgence in advanced economies. Elevated international commodity prices and acceleration in domestic manufacturing due to production-linked incentive schemes, too, are expected to brighten export prospects. Still, for the lofty \$1 trillion target to be realised, the government will have to address the usual structural issues, including high logistics costs, refund levies on inputs consumed in exports on time and firm up free trade agreements with key markets early, exporters have said. The FTP, along with other initiatives of the commerce and industry ministry, will set the stage for a “big leap in exports”, another source said.