

# **Development Dimensions of the National Foreign Trade Policy of India**

Key achievements and outcomes: Foreign Trade Policy, 2015-20

## **1. Context and Background**

- 1.1. With support from the India Office of the United Kingdom's Department for International Development under the Knowledge Partnership Programme and IPE Global Limited, CUTS International undertook a project entitled 'Development Dimensions of the National Foreign Trade Policy of India'.
- 1.2. The objective of the project was to direct attention to instruments, institutions and schemes in the National Foreign Trade Policy which could be rendered increasingly inclusive with a view to aid developmental objectives, apart from addressing the growing trade deficit. While it is true that addressing India's developmental needs is not the responsibility of its trade policy alone, given that India is home to one-third of the world's extreme poor it has a fiduciary responsibility to balance its economic objectives with its development needs.
- 1.3. Based on an analysis of the previous Foreign Trade Policy (FTP) and the results of a comprehensive survey that covered a wide range of clusters, particularly those that were labour-, technology- and research-intensive and had vertical and horizontal linkages with other sectors, the project concluded with a list of recommendations for the Foreign Trade Policy 2015.

## **2. Key Achievements and Outcomes**

- 2.1. This year, for the first time, the Foreign Trade Policy was accompanied by a detailed Foreign Trade Policy (FTP) Statement which explained the vision, goals and objectives underpinning the Foreign Trade Policy. There was a significant amount of synergy between the recommendations advocated by CUTS and the issues that were highlighted in this Foreign Trade Policy and its accompanying FTP Statement.

### **Export Promotion vs. Employment Generation**

- 2.2. One of the primary reasons for the lack of inclusiveness in the previous policy was that it seemed to presume that increased export market access resulted in an increase in employment generation. These two concepts were often used interchangeably in the previous policy. This distinction is very clear in the new trade policy and the difference can be seen for example in the policy's new acknowledgement of the strategic significance of small and medium scale enterprises in the manufacturing sector not only for its export potential but also and its contribution to employment generation.

### **Engagement with national and subnational stakeholders and implementing a whole-of-government approach**

- 2.3. A key finding of the study was a lack of coordination among relevant stakeholders in determining the trade agenda and between relevant government ministries such as the Department of Agriculture and Cooperation and the Directorate General of Foreign Trade. Our recommendations were that the government engage national and subnational organisations and actors in the setting their trade agenda and adopt a 'whole-of-government' approach. Specifically, one way the new policy could implement this change was by making modifications to Chapter 1C. which outlined the composition of the Board of Trade. We noted that mandating the inclusion of representatives of local stakeholders on this Board would aid in enhancing engagement with national and subnational actors; and making use of a whole-of-government approach in setting the trade policy would be crucial to achieving a coherent new Trade Policy.
- 2.4. In the FTP Statement, the first substantive point (para 4 and 5) in the Executive Summary is entitled: 'Whole-of-Government' Approach & Role of State/UT Governments. It highlights that foreign trade policy can neither be formulated nor implemented by departments in isolation. This mainstreaming of State and Union Territory governments is a novel initiative taken by the Department of Commerce in the new FTP. It also states in para 5 that many of the State Governments have nominated Export

Commissioners and the Department of Commerce is also helping State Governments prepare export strategies. An export Promotion Mission will also be constituted and various senior officials have been appointed as designated focal points for exports and imports in several Central Government departments.

- 2.5. Regarding the Board of Trade, Chapter 1C has been removed from the Foreign Trade Policy and instead, the FTP Statement notes in para 300 that two mechanisms will be put in place for regular communication with stakeholders. The first of these is a Board of Trade which will have an advisory role and offer a platform for discussion and consultation. Another institutional mechanism which will be set up is the Council for Trade Development and Promotion. This Council will be a community of Central Government and various States and UT Governments. The objective will be to bring in the views of various State Governments with the objective of mainstreaming them in trade policy formulation and implementation. This Council will be constituted after this policy is brought into effect. In addition to the two institutional mechanisms, export promotion councils and various industry and business chambers will continue to be the specialised institutions available for consultation from time to time.

### **More Effective Branding**

- 2.6. In terms of trade promotion, we recommended that the government make use of more effective branding for better price realisation noting that the 'Made in India' was very broad therefore increased emphasis should be placed on more specific brands through the use of instruments such as geographical indicators.
- 2.7. In para 31, the section is on building the India Brand. Further to this the Department of Commerce has also announced that a programme to promote the branding and commercialisation of products registered as Geographical Indicators and to promote their exports will be initiated within one year of this policy coming into force.

### **Coherence between trade policy and trade negotiations**

- 2.8. When we looked at India's trade policy, one of the points we noted was that it was largely isolated from its stand on bilateral, regional and multilateral trade negotiations as a whole. In para 8, the FTP Statement highlights that the need to ensure that the FTP is aligned with both India's interests in negotiations, as well as obligation and commitments under various WTO Agreements has been an important consideration in framing this policy. In para 11 the FTP Statement highlights that the mega agreements that are currently being negotiated, namely the Trans Pacific Partnership, Trans-Atlantic Trade and Investment Partnership and the Regional Comprehensive Partnership Agreement agreements add a completely new dimension to the global trading system. As such, Indian industry needs to rise to meet the challenges and the government is responsible for creating an enabling environment. This impact of the evolving architecture of the global trading system is clearly outlined in the FTP Statement.
- 2.9. Recent evidence also showed that while India has immense trading potential with its neighbouring countries in many sectors, most of these products were not included in the list of 'focused products' of its trade policy, neither were its South Asian counterparts covered under the Focused Market Scheme. We also noted that India could also benefit from actively pursuing market diversification strategies and focusing on non-traditional markets with high potential. Looking at alternative markets however, should not be undertaken at the cost of India's traditional markets; we highlighted that focus on these markets would indeed need to be maintained however a thorough study of their markets would need to be undertaken given the rapidly changing demand profiles. Paras 12 to 22 of the FTP Statement is dedicated to India's bilateral and regional trade engagements. There is a focus on maintaining their export relationship with both the EU and the US; broadening its trade relations with other regions including Australia and New Zealand, South East Asia, China and Africa. South Asia is highlighted as a special focus area of the government with a larger goal of building regional value chains.