

Suggestions on Foreign Trade Policy 2004-09

Issues	Existing Provisions	Implications	Recommendations
<p>Simplifications of Procedures</p>	<p>In preamble of the FTP 2004-09, simplification of procedures has been identified as one of the strategies to achieve our objective of doubling the share in global merchandise trade within the next five years. However, multiplicity of exemptions and export promotion schemes contribute in complicating the documentation and procedures resulting in a major gap between the customs import and export procedures at home and the best international practices.</p>	<ul style="list-style-type: none"> • Complex procedures not only increase the paper work but also create more hurdles for small exporters. It may increase the legal expenses of exporters and importers, which our small exporters and importers can hardly afford. • In the era of stiff international competition, this act as a major disadvantage for our exporters and importers, as it unnecessarily increases the price of exportables and importables. 	<ul style="list-style-type: none"> • The procedures can be simplified through more use of automation and information technology. • It is also essential to have better coordination among different government agencies dealing with exports and imports. • Modern best practice calls for a system, which ensures self-compliance and maintenance of records (payment of tax, fees etc.) by exporters and importers for post-transaction audits of records.

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<p>Reduction of Transaction Costs</p>	<p>The FTP 2004-09 identifies reducing transaction costs as one of the important strategies in its endeavour to achieve stated objectives. However, the issue lacks focus in the FTP 2004-09. Customs clearance in India is still largely based on physical control where each consignment is examined and assessed to duty, a legacy of the past strict import control regime practised for over four decades since independence.</p>	<ul style="list-style-type: none"> • Considering the huge international comparative advantage that India has in many export sectors, poorly managed customs services effectively reduce the potential for larger gain which could boost the economic growth significantly. • By deterring trade, these processes also deprive national governments of vital revenue from greater economic activity at a time when social pressures are increasing for greater governmental intervention in areas of education, health, employment generation etc. • Poor border management also creates security concerns and suspicions amongst the other countries. Smuggling and the illicit movement of people and good become easy, as evident in the drugs trade and illegal migration. This gives impression to the rest of the world, especially developed countries, that everything going on in the region is vulnerable to contamination, to some extent at least, by these illegal activities. 	<ul style="list-style-type: none"> • India should take measures to reform and upgrade their customs systems and procedures in line with "best practices" and international standards. In spite of our phenomenal growth of information technology sector, the international trade is largely administered through paper-based system and face-to-face contacts. India should make use of its internationally recognised IT sector to modernise the customs procedures. • The FTP makes sure that Kelkar Committee recommendations, which enlist the best international practices on trade facilitation, are implemented. • India can also try to replicate the system adopted by some of the developing countries, especially South-East Asian countries in this area.

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<p>Liberalisation of Regulator Framework</p>	<p>According to FTP 2004-09 all imports and exports are subject to regulation by the Foreign Trade (Development and Regulation) Act, 1992. The main purpose of this Act is to provide for the development and regulation of foreign trade by facilitating imports into, and augmenting exports from India and for matters connected therewith or incidental thereto.</p>	<ul style="list-style-type: none"> • Since its enactment in 1992, this Act has mainly facilitated the issuance of importer-exporter code number and license. In other words the Act has created more red tapism than facilitated trade. • It has not done enough to achieve our developmental objectives. It must be emphasised that in this era of globalisation, international trade is seen as one of the important tools to achieve larger social objectives by achieving higher economic growth. 	<ul style="list-style-type: none"> • The FTP 2004-09 has identified certain priority sectors to promote trade such as agriculture, handicrafts, leather etc. All these are labour-intensive activities and can help in employment generation in both rural and urban areas. Further, the five-year policy document also makes provisions to constructively engage States in export promotion. However, in the absence of a proper regulator we may not be able to achieve our desired objectives. The regulatory framework must ensure that the country should be able to increase labour-intensive exports, as it will have maximum impact on employment generation and achieving the pro-poor objectives of foreign trade policy. • Promotional measures such as Market Access Initiative (MAI) and Market Development Assistance should be carefully directed to exploit the opportunities in those areas, which were hitherto untapped, for e.g., organic farming, as there is a big market in developed countries for such products. • The regulator framework should be reformed and designed in a manner that it works as promotional agency rather than creating bottlenecks.