



## Interactive Session on Mid Term Review of Foreign Trade Policy 2015-

2020

**15th December 2017, PHD House, New Delhi**

Foreign Trade and Investment Committee of PHD Chamber organized a Special interactive Session on Mid Term Review of Foreign Trade Policy 2015-20 for the members of PHD Chamber on 15th December 2017 at PHD House, New Delhi. **Shri Sanjay Beswal**, Co-Chairman of Foreign Trade and Investment Committee, PHDCCI and Director, Andees Impex Private Limited gave a detailed presentation on the announcements made in the Mid-term Review of the Foreign Trade Policy (FTP). **Shri Anil Khaitan**, President, PHD Chamber shared his view points on the Mid Term Review of Foreign Trade Policy along with the other members of the PHD Chamber. **Dr S P Sharma**, Chief Economist, PHD Chamber gave a presentation on Overview of India's exports and recent developments.

**Shri Sanjay Beswal**, Co-Chairman of Foreign Trade and Investment Committee, PHDCCI in his presentation started with explaining the basics of exports and imports, basics of GST for exports and imports and impact of developments in Foreign trade policy on exporters and importers. He added that Foreign Trade Policy was announced in 2015, was supposed to be there from 2015-20 and a lot of changes have been witnessed in the Mid Term Review due to GST. The main objective of the meeting was to discuss these changes and bring out all the issues or the problems that are headed by importers and exporters and try to solve certain and later address to DGFT.

Glimpses of the Interactive Session on Mid Term Review of Foreign Trade Policy 2015-20



Shri Sanjay Beswal, Co-Chairman of Foreign Trade and Investment Committee, PHDCCI addressing the participants



From Left to right: Dr S P Sharma, Chief Economist, PHD Chamber and Shri Anil Khaitan, President, PHD Chamber



Participants at the Interactive Session on Mid Term Review of Foreign Trade Policy 2015-20, 15<sup>th</sup> December 2017, PHD House, New Delhi



Shri Sanjay Beswal, Co-Chairman of Foreign Trade and Investment Committee, PHDCCI



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Shri Beswal emphasized that MSMEs exports are the main thrust of the India economy. The share of MSMEs exports in India's total exports was 42% in 2013-14 and now it has reached to about 50%. Thus, the volume of MSME in total exports is increasing. He mentioned that MSMEs are not much globally connected, so they are not majorly impacted by global developments and thus are not able to increase their share in exports. He further added that PHD Chamber at the forefront of the MSMEs and can give more opportunities for trade to MSMEs by conducting workshops and thus spreading more awareness among them about the international trade. He even highlighted the problems related to MSMEs exports which included lack of knowledge about destination countries, lack of innovation, no dedicated handholding to facilitate MSMEs and less marketing activities, etc.

He mentioned about the concept that prevailed before GST in which excise duty was imposed in all the places where manufacturing was taking place which led to the problem of double taxation. To avoid this problem the system of credit was introduced. He added that imposition of basic custom duty discouraged imports among importers but after the imposition of GST there are certain changes in exports and imports because of the way the duty structure has changed. Credit of the input excise duty can be availed together with the exemption of the output excise duty. Secondly, before the imposition of GST if an individual was not able to utilize the input excise duty there was an option for him to pay the output excise duty from that input excise duty and then avail the refund in cash. While in the GST era there is no imposition of output or input duty.

He mentioned that Foreign Trade Policy is the statement of the government which specify in general what can be exported and imported, what are the conditions, how can we import in response to these conditions, what can be exported and how to promote that exports. He also stated that there are a few schemes which are specifically to promote the exports and these schemes are for duty exemptions of raw material with some special schemes for export orientation. While talking about the Mid Term review he discussed that it includes mainly the corrections, the redrafting of the duty savings scheme as per GST, redefining of the paragraph of the duty savings and tremendously increasing benefits of Merchandise Exports from India Scheme (MEIs) and Services Exports from India Scheme (SEIs) with a special scheme for AEOs (Authorized Economic Operators).

He discussed in detail chapter 3 – (Finished goods being exported to international markets) in the Mid Term Review of Foreign Trade Policy in which two schemes MEIs for the goods and SEIs for the services is presented. In the MEI scheme the incentive that an individual gets from exporting a merchandize good to the international market has been increased from 2-5% to 2-7%. He added that SEZs are also given MEIs and mentioned about the neglect of engineering and auto sector, the increase of the validity period from 18 to 24 months, and imposition of 0% GST on MEIs. The other scheme which Shri Beswal emphasized was on the services exports. SEIs scheme is for the services for which we get a payment in foreign exchange whose rate has been increased from 3-5% to 5-7%. This is a windfall game to most of the service providers.

He also threw light on the exemption of import duties after taking an advanced authorization. Shri Beswal also highlighted on various schemes including one of which introduced by DGFT was the Authorized Economic Operators (AEO) where the operators can define their own input output norms. The other was the annual advanced authorization and DFIA (Duty free import authorization scheme). He also threw light on another scheme for the capital goods in which capital goods can be imported and used for export production without paying any basis custom duty or any GST under the EPCG scheme. This EPCG scheme can be used in machinery, factories, spares, fixtures but it cannot be used for power generation. He added that EOU scheme was used by those whose exports are more that 60-80%. He concluded his remarks by adding that foreign trade policy can be used to cut input costs and attribute cost and to improve cash flows and margins. Thus there are rules and regulations but at the same time there also exists opportunities.

**Dr S P Sharma, Chief Economist, PHD Chamber** gave a presentation on Overview of India's exports and recent developments. He explained about India's top 10 products which contribute to about 60% in the total exports including pearls, precious stones, metals, coins, mineral fuels, oils, distillation products, vehicles other than railway, tramway , nuclear reactors, boilers, machinery and mechanical appliances, part thereof , pharmaceuticals products , organic chemicals , articles of apparel and clothing accessories, iron & steel , electrical machinery and equipment and parts, etc. The top 10 products constitute about exports of USD 164 billion in 2016-17 and India has not been able to diversify its exports that much. The share of consumer goods in India's total exports in 2016 stands at 46%, followed by intermediate goods at 32.5%, capital goods at 14% and raw materials at 8.3%. He also threw light on volume of exports in agriculture segment which stands at about USD 30-31 billion, while in industrial and petroleum segment it stands at about USD 232 billion and USD 27 billion respectively in 2016. The total products exported from India were 4411 in number in 2016, the

index of export market penetration being 23.32 while the overall trade was recorded at 40% of GDP in 2016. Further, he stated that India's share in world's export is 1.81% in comparison to USA which is 13.2%, China's (8.6%) and Germany's (6.2%).

The session was followed by questions and answers round where several queries raised by the participants were addressed by Shri Sanjay Beswal, Co-Chairman of Foreign Trade and Investment Committee, PHDCCI.

Please contact for any query related to this mail to Ms Surbhi Sharma, Sr. Research Officer at [surbhi@phdcci.in](mailto:surbhi@phdcci.in) with a CC to Dr. S P Sharma, Chief Economist, PHD Chamber of Commerce & Industry.

Warm regards,

**Dr. S P Sharma**

**Chief Economist**

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PHD Chamber of Commerce and Industry

PHD House, 4/2 Siri Institutional Area

August Kranti Marg, New Delhi-110016

Ph.: + 91-11-26863801-04, 49545454

Fax: +91- 26855450, 49545451

Email: [spsharma@phdcci.in](mailto:spsharma@phdcci.in)

Website: [www.phdcci.in](http://www.phdcci.in)

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PHD House, 4/2 Siri Institutional Area, August Kranti Marg, New Delhi - 110 016 (India) • Tel. : +91-11-2686 3801-04, 49545454, 49545400  
Fax : +91-11-2685 5450 • E-mail : [president@phdcci.in](mailto:president@phdcci.in) • Website : [www.phdcci.in](http://www.phdcci.in). CIN: U74899DL1951GAP001947

