

Development Dimensions of the National Foreign Trade Policy of India

Background & Context

The National Foreign Trade Policy (NFTP) is one of the main pillars of India's approach to trade promotion. India's NFTP, adopted for every five years and augmented with annual supplements each year, is about streamlining policies for meeting supply-side constraints faced by export oriented sectors and thereby create advantages for such products in destination markets.

Inclusiveness of the NFTP and its alignment with other macroeconomic policies are essential for enhancing its developmental outcomes.

NFTP 2009-14 and its annual supplements contain several specifically targeted schemes or policy instruments, which are tailor-made to use trade expansion as an instrument for employment generation. Focus Market Scheme,

Focus Product Scheme, Technology Up-gradation Fund Scheme, Assistance to States, etc., along with assistance for Special Economic Zones and Export Promotion Councils are some of the main policy instruments.

As regards the role of NFTP in bringing about trade opportunities for micro, small and medium scale manufacturing units and service providers, it is noted that the implementation of specific schemes and policies as contained in the NFTP often lack inclusiveness, wherein vulnerable units are deprived of access to their benefits.

In addition, NFTP's linkages with other domestic macroeconomic policies including that for Foreign

Direct Investment (FDI) should be fostered for better and more equitable opportunities for both large and small business units.

This project is aimed at addressing five gaps in the formulation and administration of the NFTP of India and draw lessons for addressing these gaps.

Objectives

The overall objective of the project is to enhance the developmental outcomes of India's NFTP. It aims to assess gaps in NFTP's inclusiveness and its coordination with external trade negotiations, linkages between the NFTP and FDI policy, the role of the NFTP in exploring and strengthening the participation of Indian business units in regional/global value chains and its role in domestic policy and regulatory reforms for better economic governance, frame policy improvements to address such gaps, and advocate for improvements to be brought in the next NFTP to be announced in 2014.

The project aims to assess gaps in NFTP's inclusiveness and its coordination with external trade negotiations, linkages between the NFTP and FDI policy, and the role of the NFTP in exploring and strengthening the participation of Indian business units in regional/global value chains.

Specific objectives of the project are to study the gaps in framing and implementation of India's NFTP with respect to the difficulties in accession of micro, small and medium enterprises as

major beneficiaries, linkages between the NFTP and other macroeconomic policies, draw lessons from some other countries' experience in implementing trade policy, and disseminate the results and policy lessons them to the developing world at large.

Activities & Output

An extensive research study will be undertaken to gather data which will be analysed to understand the overall impact of India's NFTP. This will lead to identification of the gaps in the policy framework and create the groundwork for advocacy meetings to address these lags.

Besides secondary data analyses, research will also include primary data by way of semi structured questionnaire surveys to collect the data from some key informants across India as identified through CUTS network of economic policy and regulatory circles.

Other than this, issue specific case studies will be undertaken with involvement of local level as well as apex industry associations.

Following the advocacy meeting in New Delhi several awareness generation events will be held at different locations in the country to apprise the relevant stakeholders of the importance of addressing the gaps in India's NFTP and the benefits arising there off.

Also, a dissemination meeting will be held in Nairobi, Kenya to share the outcomes of this project for the benefit of the trade policy making community from least developed countries of sub-Saharan Africa. The goal of this

would be to aid these countries to realise the impact of addressing the gaps in implementation of domestic trade policies on developmental outcomes.

Expected Outcomes

With the identification of specific gaps in India's NFTP and why and how to address such gaps, trade policy makers will be in a position to take informed decisions, and thereby improve framing and implementing the NFTP 2014-19 and provisions in its annual supplements so as to enhance developmental outcomes.

With better information, suitable policy instruments and schemes, trade/industry associations will be better positioned to take advantage of India's NFTP and enhance their business opportunities. Associations of micro, small and medium scale enterprises, such as Federation of Indian Micro and Small & Medium Enterprises will be particularly benefitted.

Moreover, trade policy officials and negotiators in some of the developing and least developed countries will be better informed to address certain gaps in their respective trade policies and thereby will also be in a position to better align their two-way trade and investment promotion activities with India.

Beneficiaries of the project include trade policy makers and tradel/industry associations as well as various stakeholders from some of the developing and least developed countries.