UNIT: 1

PAPER: 601

TRADE POLICY

Trade agreements occur when two or more nations agree on the terms of trade between them. They determine the [tariffs](https://www.thebalance.com/tariff-pros-cons-and-examples-3305967) and duties that countries impose on [imports](https://www.thebalance.com/imports-definition-examples-effect-on-economy-3305851) and exports. All trade agreements affect [international trade](https://www.thebalance.com/international-trade-pros-cons-effect-on-economy-3305579).﻿

*3 Types of Trade Agreements:*

### Unilateral Trade Agreement: These occur when a country imposes trade restrictions and no other country reciprocates.

### Bilateral Trade Agreements: [Bilateral agreements](https://www.thebalance.com/what-are-bilateral-trade-agreements-pros-cons-and-list-3305911) involve two countries. Both countries agree to loosen trade restrictions to expand business opportunities between them. They lower tariffs and confer preferred trade status on each other.

### Multilateral Trade Agreements: These agreements among three countries or more are the most difficult to negotiate. The greater the number of participants, the more difficult the negotiations are. By nature, they are more complex than bilateral agreements, as each country has its own needs and requests.

EXPORT-IMPORT POLICY

Export Import Policy or better known as Exim Policy is a set of guidelines and instructions related to the import and export of goods. The Government of India notifies the Exim Policy for a period of five years (1997 2002) under Section 5 of the Foreign Trade (Development and Regulation Act), 1992. The Export Import Policy is updated every year on the 31st of March and the modifications, improvements and new schemes became effective from 1st April of every year. All types of changes or modifications related to the Exim Policy is normally announced by the Union Minister of Commerce and Industry who coordinates with the Ministry of Finance, the Directorate General of Foreign Trade and its network of regional offices.

General Objectives of Exim Policy To establish the framework for globalization.

* To promote the productivity competitiveness of Indian Industry.
* To encourage the attainment of high and internationally accepted standards of quality.
* To augment export by facilitating access to raw material, intermediate, components, consumable and capital goods from the international market.
* To promote internationally competitive import substitution and self- reliance

Note: EXIM POLICY: Recent policy highlights are important

**INDIA’S FOREIGN TRADE POLICY (FTP**)

* FTP provides the basic framework of policy and strategy for promoting exports and trade. It is periodically reviewed to adapt to the changing domestic and international scenario.
* The Department is also responsible for multilateral and bilateral commercial relations, special economic zones (SEZs), state trading, export promotion and trade facilitation, and development and regulation of certain export oriented industries and commodities.
* The current Foreign Trade Policy (2015-20) focusses on improving India’s market share in existing markets and products as well as exploring new products and new markets. India’s Foreign Trade Policy also envisages helping exporters leverage benefits of GST, closely monitoring export performances, improving ease of trading across borders, increasing realization from India’s agriculture-based exports and promoting exports from MSMEs and labour intensive sectors. The DoC has also sought to make states active partners in exports. As a consequence, state governments are now actively developing export strategies based on the strengths of their respective sectors.
* While the external environment has a major role to play in the success of export policies, it is also critical to address constraints within India including infrastructure bottlenecks, high transaction costs, complex procedures, constraints in manufacturing and inadequate diversification in India’s services exports. India is a signatory to the Trade Facilitation Agreement (TFA) at the WTO, which will contribute to the simplification and lowering of transaction costs.
* According to current WTO rules as well as those under negotiation India needs to eventually phase out subsidies and move towards fundamental systemic measures in the future. Under the Agreement on Subsidies, India has moved on from Annex VII countries of WTO on breaching the US$ 1,000 per capita income benchmark for 3 consecutive years in 2015.
* The government is looking to focus on promoting exports of high value-added products, where India has a strong domestic manufacturing base, including engineering goods, electronics, drugs and pharmaceuticals, textiles and agriculture. This is apart from the continued push to AYUSH and the Indian services sector.
* Around 70% of India’s exports constitute products that have just 30% share in global trade. The government is looking at some more promising product groups like defence equipment, medical devices, agro-processing, technical textiles and chemicals.
* In 2018, then Commerce & Industry Minister Shri Suresh Prabhu envisaged a strategy to double India’s exports by 2025. The approach included devising a commodity-specific strategy for key sectors like gems and jewellery, leather, textile & apparel, engineering sector, electronics, chemicals and petrochemicals, pharma, agri and allied products and marine products. Territory specific strategy will cover North American Free Trade Agreement (NAFTA), Europe, North East Asia, ASEAN, South Asia, Latin America, Africa and WANA, Australia, New Zealand, and CIS.

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