

Simplified Explanation of the Article

The article discusses the challenges India faces in attracting foreign investments and boosting exports. It emphasizes the need for policy changes to increase Foreign Direct Investment (FDI) and improve export performance.

The **Economic Survey** has pointed out that global trade is shifting due to changes in leadership in the U.S. and new trade policies in other countries. To remain competitive, India must take both short-term and long-term measures. In the **short term**, India should diversify its export basket to counter rising global trade barriers. In the **long term**, India should position itself as a leader in high-value industries like biotechnology, semiconductors, and space technology.

Key Issues Discussed in the Article

1. Revamping the Bilateral Investment Treaty (BIT) Model

- The government plans to **revamp the BIT model** to make it more attractive for investors.
- The current **BIT model (introduced in 2016)** has restrictive clauses, especially regarding investor-state disputes, discouraging foreign investors.
- India is currently negotiating investment treaties with **the UK, Saudi Arabia, the EU, and Qatar**.
- **Delays in reforming BITs** may reduce FDI inflows, especially with rising global borrowing costs.

2. Increasing FDI Limit in Insurance to 100%

- The **insurance sector's annual premiums to GDP ratio** is only **3.7% in FY24**, much lower than the **global average of 7%**.
- To attract more investment, the **FDI limit in insurance will be raised to 100%**.
- The condition: Foreign investors must **invest the entire collected premium within India**.
- Previous increases in FDI limits (2015 and 2021) **attracted ₹54,000 crore in investment**.

3. Lack of Reforms for FDI in Manufacturing

- The Budget did not introduce **strong measures to attract FDI into the manufacturing sector**.
- The **Production-Linked Incentive (PLI) scheme** has **not delivered the expected results**.
- **Manufacturing reforms are critical** for India to become a global production hub.

4. Export Promotion Measures

- The Budget recognizes the importance of **boosting exports amidst global protectionism**.
- **Export Promotion Mission** aims to:
 - Provide **easier access to credit**, especially for **Small and Medium**

Enterprises (SMEs).

- Reduce trade-related **compliance costs**.
- A new **Bharat Trade Network** (a unified digital platform) will integrate key stakeholders like:
 - **Directorate General of Foreign Trade (DGFT)**
 - **GST Network (GSTN)**
 - **Banks**
- This will **reduce bureaucratic delays** and make trade processes smoother.
- **Budget Allocation:** ₹2,250 crore—considered **inadequate** for a large-scale impact.

5. Tariff and Duty Reforms

- The Budget tries to address **inverted duty structures** (where inputs are taxed higher than final products).
- **Tariff rationalization** will help boost local manufacturing.
- **Sectors benefiting from reforms: Agro-textiles and geotextiles.**
- Policy focus on **critical minerals** will help the **EV (Electric Vehicle) industry**.

6. India's Strength in Services Exports

- India's **real advantage** in global trade lies in **services exports** (IT, consulting, financial services).
- While manufacturing exports are important, the government must also **sustainably promote services exports**.

Salient Points and Facts

1. Economic Survey Insights

- India needs both **short-term and long-term strategies** to boost exports.
- **Short-term:** Diversify exports to counter trade barriers.
- **Long-term:** Become a global leader in high-value industries.

2. FDI Reforms

- **Revamping BIT model** to attract more investors.
- **Increasing FDI in insurance to 100%.**
- Lack of policy push for **manufacturing FDI**.

3. Exports Boost

- **Export Promotion Mission** focuses on **SMEs and reducing trade costs**.
- **Bharat Trade Network** will streamline export documentation.
- **Budget Allocation:** ₹2,250 crore (considered inadequate).

4. Manufacturing Reforms

- Efforts to fix **inverted duty structures**.
- Support for **agro-textiles, geotextiles, and EV industry**.
- PLI scheme **not yielding expected results**.

5. Services Exports

- Services sector **is India's real comparative strength**.
 - Needs **sustained policy efforts** to maintain growth.
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Conclusion

The article emphasizes that **India needs a strong policy push** to attract **FDI and boost exports**. While some positive steps have been taken (like increasing FDI in insurance and launching the Bharat Trade Network), **more concrete measures are required**, especially for manufacturing. The **Budget's allocation for export promotion is too low**, and the government must focus on **long-term strategies to enhance India's role in global trade**.