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PM Modi's vision for expanding India's global export footprint gets a major boost — Strong safeguards needed to ensure effective compliance

The decision to permit foreign e-commerce companies to own inventory exclusively for the export of goods manufactured or produced in India is a welcome and forward-looking step. It aligns with the vision of Hon'ble Prime Minister Shri Narendra Modi to enhance India's share in global trade, strengthen the country's export ecosystem, promote the "Made in India, Made for the World" initiative, and create new opportunities for Indian manufacturers, MSMEs, artisans, and entrepreneurs- said Mr Praveen Khandelwal, Secretary General of the Confederation of All India Traders(CAIT).

Mr Khandelwal said that while the objective of boosting exports deserves wholehearted support, it is equally important to ensure that this provision is implemented in both letter and spirit and is not misused as a backdoor route for undertaking domestic B2C e-commerce trade, which remains restricted under the existing FDI policy.

To ensure transparency, accountability, and strict compliance, Shri Khandelwal has suggested some measures to ensure compliance of the above policy both in letter and spirit.

1. Approval Through DPIIT Route Only

Permission for any foreign entity to own inventory for export purposes should not be granted under the automatic route. Instead, it should be approved by the Department for Promotion of Industry and Internal Trade (DPIIT) after a thorough examination of the entity's business plan and obtaining a binding undertaking that the inventory will be used solely for export activities and not for domestic B2C trade.

2. Dedicated Export-Only Warehousing

Inventory owned by foreign entities for export purposes should be stored exclusively in physically segregated, customs-bonded warehouses to ensure complete traceability and prevent diversion into the domestic market.

3. Quarterly Physical Verification and Audit

A joint inspection and audit mechanism involving officials from the DPIIT and DGFT should be undertaken every quarter to verify that the inventory is being utilized exclusively for exports and that no part of it is entering domestic B2C channels.

4. Public Disclosure of Compliance Reports

To promote transparency and public confidence, audit findings should be published every quarter on the websites of both the DPIIT and the concerned e-commerce entity.

5. Strict Enforcement and Immediate Withdrawal of Permission

Any refusal to submit to audits, failure to maintain records, or evidence of diversion of inventory for domestic B2C sales should result in immediate withdrawal of the permission, along with appropriate regulatory action under the applicable laws and FDI policy provisions.

These measures will help ensure that the policy achieves its intended objective of accelerating India's exports while preserving the integrity of the country's FDI framework and protecting fair competition in domestic trade- said Shri Khandelwal.

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