

FTP Review Called for Revoking Sops

Rethink critical as the US has challenged most of India's export schemes at WTO claiming them to harm

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New Delhi: Long before the US lashed out at India for exceeding the time period for giving subsidies to its exporters, the government had taken cognisance of the fact that the existing export promotion schemes would need to be phased out and replaced with WTO compatible schemes in the Foreign Trade Policy (FTP) released three years ago.

The policy statement and its mid-term review done late last year, also reiterated that the commerce department would re-calibrate the export promotion efforts to "more fundamental measures" rather than incentives and subsi-

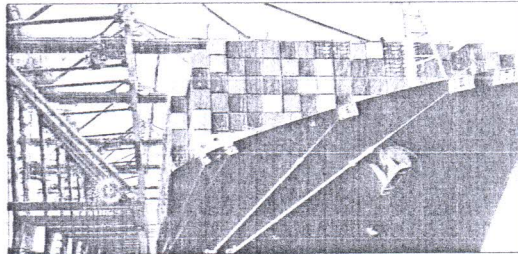
dies alone.

As per the policy statement of 2015, some sectors may be affected and would require rationalisation of support over a period of time.

The rethinking on subsidies has become critical at this juncture as the US has challenged practically almost India's entire export programmes at the WTO claiming them to harm American workers.

It has cited the Agreement on Subsidies and the Countervailing Measures (ASCM) of the WTO that envisages the eventual phasing out of export subsidies.

The agreement provides a period of eight years for graduating countries (least developed and developing) which cross the \$1,000-mark at 1990



exchange rate to phase out export subsidies.

However, such countries need to stop all export incentives if per capita GNI of such a country crosses \$1,000 for three consecutive years.

"The phasing out and eventual elimination of agricultural export subsidies is also one of the key elements of the

Doha Development Agenda," the commerce and industry ministry said in the Foreign Trade Policy

"...the existing export promotion schemes would need to be phased out and replaced with WTO compatible schemes," the policy said.

POINTER FOR FUTURE
Both the policy and its review

emphasised that "this is a pointer to the direction that export promotion efforts will have to take in future".

"All schemes contingent on income tax concessions will have to be scrapped but those which give indirect tax exemptions to manufacturing products meant for exports, can be tweaked," said an expert on WTO matters.

The FTP review was specific in stating the need to streamline and fine-tune programmes such as the Merchandise Exports from India Scheme (MEIS) to more precisely target the distortion being addressed.

The scheme was introduced in the FTP 2015-20 for offsetting the infrastructural inefficiencies faced by exports of specified goods.