

Govt Sensitises Exporters on Phasing Out Subsidies

US has complained to WTO against India's schemes; DGFT calls meet to look at alternatives

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New Delhi: India has begun sensitising exporters of the threat arising out of the US challenge to the export promotion schemes at the World Trade Organisation.

Washington has argued that these schemes are actually export subsidies not allowed under the WTO rules.

In a meeting with industry and academicians on Tuesday, the Directorate General of Foreign Trade reviewed existing export promotion schemes and the likely alternative programmes as the government prepares to address US' concerns through consultation. "The department has sensitised industry and academics that all schemes will be reviewed and it is looking at alternative schemes as well," said a person who was present in the meeting.

The US has challenged practically almost the entire of Indi-

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US has opposed India's export promotion schemes at WTO

US has pegged quantum of India's subsidies at \$7 billion

India prepares to address US' concerns through consultation

Directorate General of Foreign Trade meets industry, academicians

Reviews existing schemes & likely alternative programmes
Giving production subsidies among the alternatives



a's export programmes at the WTO, claiming they harm American workers.

Pegging the quantum of subsidies at \$7 billion, the US has dragged India to WTO for violating commitments under the Agreement on Subsidies and Countervailing Measures (ASCM) in five of its most used export promotion schemes—the export-oriented units scheme and sector-specific schemes including electronics hardware

technology parks scheme, merchandise exports from India scheme, export promotion capital goods scheme, special economic zones and duty-free import authorisation scheme.

The agreement envisages the eventual phasing out of export subsidies and provides eight years for graduating countries (least developed and developing), which cross the \$1,000 mark at 1990 exchange rate to phase out export subsidies. India had

crossed this threshold in 2015 and it became known when the WTO Secretariat produced its calculations in 2017.

The government data shows that in 2016-17, Merchandise Exports from India Scheme (MEIS) had the highest number of scrips issued among the other export promotion schemes, which is 66.5%, followed by EPCG with 9.6% and Advance Authorisation Scheme with 9.5%. Scrips are incentives that can be used to pay duties.

"The agreement was discussed and a clear agenda will be made," said another person who attended the meeting.

Among the alternatives, production subsidies could be a way out.

Though export subsidies are prohibited in the WTO, production subsidies that do not depend on exports but on the number of units that are produced are permitted. However, such production subsidies require far larger budgetary commitments.