

Export subsidy issue

What is the issue?

\n\n

India's rising per capita income has created a problem for export subsidies.

\n\n

What is the status India's per capita income?

\n\n

\n

- Income per capita is a measure of the amount of money earned per person in a certain area.

\n

- It can be calculated for a country by dividing the country's national income by its population.

\n

- India's per capita income is above \$1000 formally qualifying it as a middle income country.

\n

\n\n

How India is responsible to WTO on this situation?

\n\n

\n

- According to WTO rules, now India is ineligible to provide direct export subsidies.

\n

- Under WTO, production-based subsidies such as technological up gradation, capacity building and infrastructure development are permissible.

\n

- Even for countries below the \$1,000 per capita threshold, product-specific subsidies may be questioned if the export of the product concerned accounts for over 3.25% of the global exports for over two consecutive years.

\n

- In that case, the country concerned will have to phase out subsidies over eight years.

\n

- It can be reasonably expected that India will be dragged to the WTO for its subsidies regime.

\n

\n\n

What are the issues with Indian actions in this regard?

\n\n

\n

- India is recording consistent growth but centre failed to predict this issue.
- Instead, the Centre announced the Merchandise Export from India Scheme, providing a flat export benefit across 5,000 tariff lines at a cost of over Rs.22,000 crore.
- Meanwhile, explicit export subsidy schemes such as duty drawback (reimbursement of import duty on inputs) continue.

\n

\n\n

What actions should India take?

\n\n

\n

- India needs to plan according to the global trends and frame its policies.
- The commerce and industries ministry should push for a new regime of support to exports, one that is based on improving ease of doing business.
- The Government needs to reach out exporters struggling with GST and resolve their concerns while telling them that direct subsidies cannot be continued.

\n

\n\n

\n\n

Source: Business Line

\n



SHANKAR
IAS PARLIAMENT
Information is Empowering