Export subsidy issue

What is the issue?

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

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What is the status India’s per capita income?

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- Income per capita is a measure of the amount of money earned per person in a certain area.
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- It can be calculated for a country by dividing the country's national income by its population.
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- India’s per capita income is above $1000 formally qualifying it as a middle income country.
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How India is responsible to WTO on this situation?

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- According to WTO rules, now India is ineligible to provide direct export subsidies.
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- Under WTO, production-based subsidies such as technological up gradation, capacity building and infrastructure development are permissible.
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- 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.
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- In that case, the country concerned will have to phase out subsidies over eight years.

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- It can be reasonably expected that India will be dragged to the WTO for its subsidies regime.
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What are the issues with Indian actions in this regard?

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- India is recording consistent growth but centre failed to predict this issue.
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- 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.
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- Meanwhile, explicit export subsidy schemes such as duty drawback (reimbursement of import duty on inputs) continue.
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What actions should India take?

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- India needs to plan according to the global trends and frame its policies.
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- 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.
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- The Government needs to reach out exporters struggling with GST and resolve their concerns while telling them that direct subsidies cannot be continued.
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Source: Business Line

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