India to appeal against WTO dispute panel’s ruling on export promotion schemes

India has decided to appeal against a World Trade Organization dispute panel’s verdict which ruled that its popular incentive schemes for exporters such as the Merchandise Export from India Scheme (MEIS) and the Export Promotion Capital Goods (EPCG) scheme flouted multilateral trade norms and should be withdrawn.

Once India appeals, it will have a time-frame much beyond the 90 days-180 days suggested by the panel for withdrawing the schemes.

WTO dispute panel's ruling

A WTO dispute panel, on Thursday, backed several claims filed by the US against export promotion measures adopted by India and rejected New Delhi’s contention that it was exempted from the prohibition on export subsidies under the special and differential treatment provisions of the WTO Agreement on Subsidies and Countervailing Measures (SCM).

The panel, however, rejected the US' claims that the exemption from central excise duty on domestically procured goods under the EOU/EHTP/BTP schemes and the exemptions from customs duties on importation under DFIS are subsidies contingent upon export performance.

WTO's recommendations

As per the recommendations, India needs to withdraw the prohibited subsidies under the EOU/EHTP/BTP Schemes, EPCG Scheme, and MEIS, within 120 days from adoption of the report.

Since the withdrawal of tax-related incentives for SEZ units could require amendment to the SEZ Act, the panel recommended a 180-daystime-period for the same, after the adoption of the report. For schemes like the DFIS, which can be amended through a notification, a shorter 90-day time-period for withdrawal has been given.

In case India files an appeal against the ruling, the time available for withdrawal will get further extended, especially since the normal functioning of the Appellate Body is likely to get disrupted in December this year with the US continuing to oppose the appointment of new judges.

While the Centre was initially considering replacement of the MEIS scheme voluntarily by January 1, 2020, with the Remission of Duties or Taxes on Export Product (RoDTEP) scheme — a scheme to remit all input taxes at the State or Central level, which is compliant with WTO norms — the recent fall in India's exports made it consider an extension of the scheme till the end of March 2020 as remissions were higher under it.

The WTO has called out for removal of most of India’s export incentives because India’s per capita Gross National Income has increased beyond $1000 per annum, which is the threshold beyond which export subsidies are not allowed.

Source:Business Line