

## TRADE DISPUTE ON EXPORT SUBSIDIES

# India likely to propose out-of-court deal to US

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India may propose an out-of-court settlement to the United States (US) in a case relating to the provision of export subsidies, which the World Trade Organization's (WTO's) dispute panel said violated its rules.

India may take up the matter on the sidelines of the India-US Trade Policy Forum (TPF) in Washington on January 11, a person aware of the matter told Business Standard.

"If the WTO's appellate body is revived (next year), then the existing export boosting schemes – Export Oriented Units (EOU) scheme, Export Promotion Capital Goods (EPCG) scheme, Special Economic Zones (SEZ) scheme, and the Duty-Free Imports for Exporters (DFIS) scheme – will also have to be withdrawn," the person cited above said.

In 2019, India lost a key trade dispute with the US, which had complained that certain export incentive schemes – like the Merchandise Exports from India Scheme (MEIS), EOU, EPCG, SEZ, and DFIS – provided "financial benefits to Indian exporters that allow them to sell their goods more cheaply to the detriment of American workers and manufacturers".



**In 2019, a WTO ruling stated that export incentive schemes – MEIS, EOU, EPCG, SEZ and DFIS – had violated provisions of the global trade body by giving export subsidies for a wide range of goods. The complaint was made by the US**

The WTO ruled that these schemes had violated its provisions by providing export subsidies for a wide range of goods such as steel, steel, pharmaceuticals, and apparel, among others.

Thereafter, India rolled back the MEIS scheme and launched the Remission of Duties and Taxes on Export Products (RoDTEP) scheme to "support" exporters

and not merely give them subsidies. Another reason for phasing out the MEIS scheme was that there was no major growth in exports after its rollout.

The other disputed schemes continue to exist as India had challenged the verdict. However, the final verdict is awaited as the WTO's appellate body is currently not functioning.

The appellate body is a standing body of seven persons that hears appeals from reports issued by panels in disputes brought by WTO members. At present, the appellate body is unable to review appeals as the positions remain vacant. The term of the last sitting appellate body member expired on November 30, 2020.

According to the outcome of the WTO's 12th ministerial conference, a fully-functioning dispute settlement system will be accessible to all member nations by 2024.

### TPF agenda

At the TPF meeting next week both nations will iron out outstanding bilateral trade concerns. The countries held the 12th ministerial-level meeting of the TPF in New Delhi in November 2021.

The TPF will be co-chaired by Commerce and Industry Minister Piyush Goyal and US Trade Representative (USTR) Katherine Tai.