A delayed intervention

With global demand booming, the Centre must act faster to rev up export growth engine

After much delay, the Government has notified the rules and rates based on which exporters can claim rebates on taxes paid on their outbound cargo. That it took nearly eight months to come up with these critical details after the scheme promising such rebates kicked in has meant that exporters have had to conjure up additional working capital to the extent of taxes paid but not refunded during this period. A new scheme was necessitated to replace the erstwhile merchandise exports incentive scheme after the WTO dispute settlement body held it was not compliant with the multilateral trade watchdog's norms. The Government is confident that the new scheme, Remission of Duties and Taxes on Exported Products (RoDTEP), and effective from January 1, is WTO-compliant. Covering 8,555 tariff lines, or roughly 65% of India's exports, the remission rates now notified, range from 0.5% to 4.3% of the Freight On Board value of outbound consignments. For some goods, there is a cap on the value of the exported items. Steel, pharmaceuticals and chemicals have been excluded from the RoDTEP. Some sectors are concerned about the rates being lower than expected, while engineering firms are worried that taxes on key raw materials are not adequately offset. Fine-tuning may be needed, but a vacuum has been plugged at last.

There can be no doubt that Prime Minister Narendra Modi's call to scale up exports to $400 billion this year helped expedite the disentangling of inter-ministerial red tape over the RoDTEP scheme. A new foreign trade policy, a couple of smaller export-related schemes and a mechanism to fork out the last two years' pending dues under the earlier export incentive programme are expected by September. This urgency must not be lost. Having opted out of RCEP, India is looking to re-ignite free trade pact negotiations with Australia, the U.K., the EU and the U.S. The global economy is on the cusp of one of its strongest rebounds as COVID-19 vaccination drives cross a tipping point in many advanced economies. As they look to go beyond China to service domestic consumption demand, India needs to aggressively step up to the opportunity. Although the second wave's damage on the economy is less severe than the wreckage from last year's national lockdown, domestic recovery is still feeble and uneven. Consumption may see some pullback on pent-up demand as well as the impending festive season, but its sustainability is fragile. Till that firms up, private investments are unlikely to take off. That leaves public capital spending and exports as the two growth engines with feasible firepower to aid the recovery momentum. There is no time to dither on either of these fronts.