



India-EU Trade Conundrum

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Why in News?

Recently, the [European Union \(EU\)](#) has decided to extend [safeguard duties](#), which were set to expire this month. As a result of this extension, the safeguard duties will now remain in effect **until 2026**.

What are the Recent Key Highlights in India-EU Trade?

- **Exports:** [India's exports to Europe](#) in **FY24** are about **USD 86 billion** and [merchandise exports to EU member](#) countries stood at **about USD 65 billion in 2021-22**, while imports aggregated at **USD 51.4 billion**.
 - In 2022-23, the exports aggregated at USD 67 billion.
- **Substantial Interest in Steel Exports:** India's **iron and steel product exports to the EU increased to USD 6.64 billion in 2023-2024** and from **USD 6.1 billion** in 2022-23.
- **Imposition of Countervailing Duties:** In 2020, the US and EU imposed [countervailing duties \(CVDs\)](#) on certain Indian exports, including **paper file folders, common alloy aluminium sheets, and forged steel fluid**.
 - **Countervailing duties (CVDs)** are tariffs on **imported goods** imposed to offset subsidies given by the exporting country's government, aimed at protecting the domestic industry.
- **Government's Response:** The commerce ministry is working on an institutional mechanism to **verify tax refunds** given to **exporters** under the [government's duty remission scheme \(RoDTEP\)](#) to avoid countervailing duties imposed by top importing countries.

What is the RoDTEP Scheme?

- **About:**
 - It is a duty remission program implemented from **1st January 2021**, and **designed to boost exports** by reducing **tax burdens on exported goods**.
 - It is administered by the Department of Revenue, Ministry of Finance.
 - **It replaces the prior export incentive program, [Merchandise Exports from India \(MEIS\)](#).**
 - MEIS was driven by a [World Trade Organization \(WTO\)](#) decision, as the MEIS scheme violated the World Trade Organization (WTO) regulations
- **Objective:**
 - The scheme aims to offer **comprehensive assistance** to exporters by reimbursing a wide range of costs.
 - It aims to reimburse exporters for **taxes, duties, and levies** incurred during the production and distribution process that are not refunded under other schemes.
- **Addition of New Sectors Under RoDTEP:**

- The Government of India has announced the extension of the RoDTEP Scheme support to additional export sectors Such as **Advance Authorisation (AA)** holders, **Export Oriented Units (EOU)**, and **Special Economic Zones (SEZ)** export units.
 - Sectors such as **Engineering, Textiles, Chemicals, Pharmaceuticals & Food Processing**, and many others stand to benefit from the measure.
- **Financial Allocation:**
 - Since its inception, the RoDTEP Scheme has already provided support amounting to Rs **42,000 Crores** to more than **10,500 export items**.
 - In the current financial year, the scheme has a budget of Rs 15,070 Crore with an additional increase of 10% in FY 2024-25.

Extending Support

Refund of Duties and Taxes on Exported Products (RoDTEP) scheme implemented from Jan 1, 2021

Offers **0.3-4.3%** incentive to **8,555** products in sectors such as marine, agri, and gems & jewellery

But excludes pharma, steel and chemicals

Commerce ministry will need additional **₹2,000 cr** to expand coverage under scheme

Chemical sector eyes a remission rate of **2.3-2.9%**

Pharma industry seeks **5-6%**

It's a crucial move as India's Sent exports shrank 3.5% on weak global demand

UPSC Civil Services Examination, Previous Year Question (PYQ)

Prelims:

Q. With reference to the international trade of India at present, which of the following statements is/are correct? (2020)

1. India's merchandise exports are less than its merchandise imports.
2. India's imports of iron and steel, chemicals, fertilizers, and machinery have decreased in recent years.
3. India's exports of services are more than its imports of services.
4. India suffers from an overall trade/current account deficit.

Select the correct answer using the code given below:

- (a) 1 and 2 only
 (b) 2 and 4 only

(c) 3 only

(d) 1, 3 and 4 only

Ans: D

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