

## Countering US's Countervailing Measures

### What is the issue?

- The US has officially dropped India from the list of developing countries.
- So, in its future countervailing duty investigations, the U.S. would treat [India as a developed country](#).

### What does the ASCM say?

- The US designated the developing and least-developed countries for the purposes of implementing the countervailing measures.
- These measures are provided by the Agreement on Subsidies and Countervailing Measures (ASCM) of World Trade Organisation (WTO).
- Developing countries can be granted higher subsidies as compared to the developed countries before countervailing duties can be imposed.

### How the “developing” tag is designated?

- Under the WTO rules, any country can “**self-designate**” itself as a developing country.
- But, US employed an arbitrary methodology that took into consideration many factors to exclude India from the developing countries list.
- Over the past years, the US has been arguing that the emerging economies like China and India have performed much better than those in the developed world.
- Therefore, it said that they should no longer enjoy the slew of benefits that they have as developing country members of the organisation.

### What are the initiatives in which US refuse India?

- It excluded India from the lists of developing countries for the purposes of using countervailing measures.
- It also denied the benefits of GSP (Generalized System of Preferences).
- [GSP - A special window provided by the U.S. and several other developed countries, through which they import identified products from developing countries at concessional rates of duties.]
- These are the more recent initiatives that the U.S. has taken to challenge India's status as a developing country in the WTO.

## What could be the impacts of these initiatives?

- **S&DT** - India would lose the ability to use the Special and differential treatment (S&DT) to which every developing WTO member has a right.
- [S&DT - Lessens the burden of adjustment that developing countries have to make while acceding to the various agreements under the WTO.]

## How important is S&DT for India?

- S&DT has been particularly beneficial for India in two critical areas:
  1. Implementation of the disciplines on agricultural subsidies,
  2. Opening up the markets for both agricultural and non-agricultural products.
- **Implementation** - When the WTO finalises an agreement in a specific area, developing countries are allowed longer implementation periods.
- This measure helps developing countries to introduce a new agreement in phases and thus deploy resources beyond their capacities.
- **AoA** - The WTO Agreement on Agriculture (AoA) provides an elaborate discipline on subsidies.
- Out of the three subsidies, two are virtually outside the discipline since the WTO does not limit spending on these categories of subsidies.

## What is the discipline that exists in the subsidies?

- The discipline exists in case of price support measures (minimum support price) and input subsidies.
- This is the more common form of subsidies for most developing countries, including in India.
- For developing countries, spending on price support measures and input subsidies taken together can't exceed 10% of the total value of agricultural production.
- In contrast, developed countries are allowed to spend only 5% of their value of agricultural production.

## Why shifting to DBT is considered?

- India is a major user of price support measures and input subsidies.
- So, given the constraints in AoA, the government is intending to move into the system of direct benefit transfer (DBT) for supporting farmers.
- This shift is attractive for India since there are no limits on spending, unlike in case of price support measures and input subsidies.
- This implies that in the foreseeable future, India would continue to depend on price support measures and input subsidies.
- Given this scenario, the government needs the policy space to provide

adequate levels of subsidies to a crisis-ridden agricultural sector.

- Therefore, it is imperative that it continues to enjoy the benefits as a developing country member of the WTO.

### **What are the issues of tariffs?**

- The issue of market access, or the use of import tariffs, is one of the important trade policy instruments.
- It has some key provisions on S&DT which the developing countries can benefit from.
- The most important among these is the undertaking from the developed countries that they would not demand reciprocal tariff cuts.
- Recently, the government of India has been extensively using import tariffs for protecting Indian businesses from import competition.
- The 2020-21 Budget has enhanced the level of protection of the domestic players in key sectors, thus pushing the average tariffs even higher.
- Developed country members of the WTO have generally maintained very low levels of tariffs.
- Therefore, India maintaining a reasonable level of tariff protection would be well served through its continued access to S&DT, by remaining as a developing country member of the WTO.

**Source: The Hindu**