

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.

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