

## The dispute about sugar subsidies at WTO

### Why in news?

India is in negotiations with Brazil to resolve a long-standing dispute about sugar subsidy at the World Trade Organisation (WTO).

### What is WTO?

- The [World Trade Organization](#) is the only international organization that deals with the rules of trade between countries.
- **Establishment**- It was created in 1995 superseding the 1947 General Agreement on Tariffs and Trade (GATT).
- **Members**- The WTO is run by its 164 members representing 98% of world trade.
- **Decision making**- Unlike other organisations, such as the IMF or World Bank, WTO does not delegate power to a board of directors or an organizational chief.
- All decisions are taken through consensus and any member can exercise a veto.

### How disputes are settled in World Trade Organisation (WTO)?

- The bilateral consultation is the first step to resolve a dispute as for the proceedings in the WTO.
- If the sides are unable to resolve the matter through consultation, either can approach the Dispute Settlement Panel.
- The panel's report can be challenged before an [Appellate Body](#).
- The WTO Appellate Body's decision will be considered final on the dispute.
- However, the body is unable to review cases at present given ongoing vacancies.
- WTO member countries can resolve disputes outside the dispute settlement mechanism and later inform the multi-lateral body about the same.
- India is in bilateral talks with Brazil to resolve the long-standing sugar dispute at WTO.

### What is the dispute about?

- In 2019, Brazil had submitted a complaint against India in WTO alleging that India's according of sugar subsidies was inconsistent with its trade rules.
- **Support measures** - The complainant argued against the -
  - Minimum prices of sugarcane and sugar
  - Fair and remunerative prices (FRP)
  - Specific states enforcing higher minimum prices
  - Minimum Indicative Export Quota (MIEQ)
- **Reason** - Brazil, Australia and Guatemala criticized that India's support measures to sugarcane producers exceed the de Minimis level of 10% of the total value of sugarcane production.
- The countries argued that the sugar subsidies incentivised Indian sugarcane farmers

which led to increased domestic production of sugarcane and sugar.

- It contended that with production exceeding domestic demand resulting in increased sugar stocks the government intervention facilitated lowered prices for the commodity in the global market.

*India is the second-largest exporter of sugar in the world behind Brazil, which is also the largest exporter.*

### **What did the WTO say?**

- WTO constituted a panel to study the allegations in October 2019, which submitted its report in December 2021.
- The WTO panel report concluded that India was providing 'lump sum assistance' for expenses emanating on account of sugar towards maximum admissible export quality (MAEQ).
- The panel stated that the support measures of India are inconsistent with WTO trade rules under Article 7.2 (b) of the Agreements on Agriculture (AoA).
- The WTO asked India to withdraw its exports subsidies within 120 days from the circulation of the report.

*Article 7.2 (b) of the Agreements on Agriculture (AoA) stipulates that members cannot provide support in excess of the relevant de Minimis standards.*

### **What is India's defence?**

- **India's Stand** - Following the report, the Indian government stated the dispute panel's findings are unreasonable and not supported by the WTO rules
- The report also evaded key issues which it was obliged to determine.
- India held that the schemes are meant to support sugarcane producers and exports and are well within its obligations under the WTO agreements.
- **Appeal** - In January 2022, [India appealed](#) against the panel's ruling at the WTO's appellate body.
- In its appeal, India held that the panel 'grossly errs' in holding that the MAEQ were of the 'same essence' as other alleged export subsidies.
- Further, it contended that FRP and state-advised prices do not constitute 'applied administrative prices'.

#### **Sugar Production in India - Last year and ongoing season**

- In Sugar Season (Oct-Sep) 2021-22, India emerged as the world's ***largest producer and consumer*** of sugar.
- India had exported 11 million tonnes in the last year where the production stood at 35.9 million tonnes.
- For the ongoing sugar season, the production is estimated to be 32.8 million tonnes.
- India had allowed exports of 6.1 million tonnes for the ongoing season exhausting the quota.
- With annual domestic consumption is pegged at 27.5 million tonnes, there is a potential ground for price uncertainty domestically and outside.

## Quick Facts

- **FRP** - The Fair and Remunerative Price (FRP) is the minimum price that sugar mills have to pay to sugarcane farmers.
- **MAEQ** - Maximum Admissible Export Quality (MAEQ) works as a marketing assistance listing upper limit for exports of sugar.
- **MIEQ** - Minimum Indicative Export Quota (MIEQ). Under mill-specific MIEQ, sugar mills must export an allocated amount of sugar by the end of each season (October-September).

## References

1. [The Hindu - What is the dispute about sugar subsidies at WTO?](#)
2. [ET - India in bilateral talks with Brazil to resolve sugar dispute at WTO](#)

