India's Disputes At WTO

Recently, Australia has referred India to the World Trade Organization (WTO) over subsidies paid to sugarcane farmers.

> Many countries have filed complaints in WTO against various welfare and subsidy programs run by government of India.

Complaints Against India

- On November 12 US filed a complaint against India alleging that India has paid out far more in cotton subsidies than the WTO rules permit.
- On November 7, India lost a trade dispute at the WTO after a settlement panel upheld Japan's complaint on the imposition of safeguard duty on imports of hot-rolled steel flat products during September 2015 and March 2018.
- In May 2018, the US submitted a communication under provisions of the WTO Agreement on Agriculture (AoA) on certain measures of India providing Market Price Support (MPS) to wheat and rice for the years 2010-11 to 2013-14.
- In this communication, US stated that India has "under-reported" its domestic support provided for wheat and rice and violated its commitments under the WTO Agreement on Agriculture.
- In 2016, the dispute settlement panel had ruled in favour of a US complaint against the requirement that power producers under the Jawaharlal Nehru National Solar Mission compulsorily procure a part of solar panels and modules for their projects from domestic producers.

Australia Stand

> Australia has said that it will utilise the established global trading rules to defend the interests of its farmers and will continue to support the right of Australia's sugar industry to compete on equal terms with domestic Indian industry.

India's Stand

- On September 27, the government of India had approved a Rs 5,538-crore package for the sugar industry.
- India has maintained its stand that the country's sugar exports comply with WTO rules. India does not extend a subsidy to its farmers for exports, but instead gives **a production subsidy.**
- On the issue of MPS being violative of WTO norms, India has dismissed these allegations and has demanded that MPS should be calculated by using the recent reference period instead of 1986/88 prices, which was factored in at the time of the creation of the WTO.

Countervailing Duty and Anti-Dumping Duty

- **Countervailing Duty:** It is imposed on imported goods to counterbalance subsidy provided by the exporter country.
- **Anti-Dumping Duty:** An antidumping duty is a protectionist tariff that a domestic government imposes on foreign imports that it believes are priced below fair market value.
  - Dumping is a process where a company exports a product at a price lower than the price it normally charges on its own home market.
  - To protect local businesses and markets, many countries impose stiff duties on products they believe are being dumped in their national market.

Agreement On Agriculture (AoA)

AoA is aimed to remove trade barriers and to promote transparent market access and integration of global markets. Agreement on agriculture stands on three pillars:

- **Domestic Support:** It calls for reduction in domestic subsidies that distorts free trade and fair price.
    - Under this provision, the Aggregate Measurement of Support (AMS) is to be reduced by 20% over a period of 6 years by developed countries and 13% over a period of 10 years by developing countries.
    - Under this, Subsidies are categorized into:
        1. **Green Box:** subsidies that **do not distort trade,** or at most cause minimal distortion.
            1. They are **government-funded** and must **not involve price support.**
            2. They also **include environmental protection and regional development programmes.**
            3. “Green box” subsidies are therefore **allowed without limits**, provided they comply with the policy-specific criteria.
        2. **Amber Box:** All domestic support measures considered to **distort production and trade** (with some exceptions) fall into the amber box as all domestic supports except those in the blue and green boxes.

            These include **measures to support prices, or subsidies directly related to production quantities.**
        3. **Blue Box:** This is the “amber box with conditions”. Such conditions are **designed to reduce distortion.**
            1. Any support that would normally be in the amber box is placed in the blue box if the support also **requires farmers to limit production.**
            2. At present, **there are no limits on spending on blue box subsidies.**
- **Market Access:** Market access for goods in the WTO means the conditions, tariff and non-tariff measures, agreed by members for the entry of specific goods into their markets. The market access requires that tariffs fixed (like custom duties) by individual countries be cut progressively to allow free trade. It also required countries to remove non-tariff barriers and convert them to Tariff duties.
- **Export Subsidy:** Subsidy on inputs of agriculture, making export cheaper or other incentives for exports such as import duty remission etc are included under export subsidies. These can result in dumping of highly subsidized (and cheap) products in other country and damage domestic agriculture sector of other country.

Principle of Trade Without Discrimination at WTO

- **Most Favored Nation (MFN):** Treating other nations equally. Under the WTO principle of trading system, countries normally are not allowed to discriminate between their trading partners.
- **National Treatment:** Treating foreigners and locals equally. Under this principle, foreign goods are given same treatment as one's own.
- **Free Trade:** Lowering trade barriers is one of the most obvious means of encouraging trade.
- **Predictability:** With stability, predictability and binding commitments, WTO principle seeks to encourage investment, create jobs and to accrue the benefits of competition to consumers in the form of choice quality and lower prices.
- **Promoting Fair Competition:** WTO agreements also aim to support fair competition in trade in agriculture, intellectual property, services etc.
- **Encouraging Development and Economic Reforms:** Developing countries that need flexibility to implement the system's agreements are given special assistance and trade concessions under WTO rules. This promotes economic reforms and development in these countries.

Dispute Settlement Body (DSB)

- The Dispute Settlement Body (DSB) of the World Trade Organization (WTO) makes decisions on trade disputes between member countries.
- DSB consists of all WTO members.
- The DSB makes all its decisions by consensus.
- The DSB has the sole authority to establish panels of experts to consider the case, and to accept or reject the panels' findings or the results of an appeal.
- It monitors the implementation of the rulings and recommendations, and has the power to authorize retaliation when a country does not comply with a ruling.