

1. In U.S. Trade Action, an Indian Counter-Strategy

Context:

- The United States officially **designated developing and least-developed countries** for the purposes of implementing the countervailing measures provided by the Agreement on Subsidies and Countervailing Measures (ASCM) of the World Trade Organisation (WTO).
- In this list, US dropped India from the developing countries status. In its future countervailing duty investigations, the U.S. would treat India as a developed country.

What is Agreement on Subsidies and Countervailing Measures (ASCM):

- According to the ASCM, developing countries are allowed to grant higher levels of subsidies as compared to the developed countries before countervailing duties (CVD) can be imposed.
- The agreement stipulates that any countervailing duty investigation for a developing country must be terminated if the subsidies granted are found to be **de minimis (Minimal amounts of domestic support that are allowed even though they distort trade)**, which is defined as less than 2% of the value of imports of the product being investigated. For a developed country the de minimis is 1% of the import value of the investigated product.

Why US Decision is Arbitrary in Nature?

- Under the WTO rules, any country can “self-designate” itself as a developing country. In fact, the WTO does not lay down any specific criteria for making a distinction between a developed and a developing country member. Despite this clearly laid down criteria in the WTO rules for making a distinction between developing and developed countries, the United States Trade Representative (USTR) employed an arbitrary methodology that took into consideration “economic, trade, and other factors to exclude India from list of designated developing countries.

Issue with Generalised System of Preferences (GSP):

- Another US announcement that took off India from the list of beneficiary-developing countries under its scheme of Generalised System of Preferences (GSP).
- The GSP is 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.

- GSP confers non-reciprocal benefits, implying that the developed countries cannot expect reciprocal market access from the beneficiary developing countries.
- Yet, the U.S. denied GSP benefits to India arguing that India was unwilling to offer better market access to its products.
- Over the past years, the U.S. has been arguing that the emerging economies, especially Brazil, China and India, have performed much better than those in the developed world and therefore they should no longer enjoy the slew of benefits that they have as developing country members of the organisation.

Benefits gained in WTO due to Developing Country Status:

- Developing country has the ability **to use the special and differential treatment (S&DT)**. This policy lessens the burden of adjustment that developing countries have to make while acceding to the various agreements under the WTO.
- Besides, developing countries are allowed longer implementation periods. S&DT has been particularly beneficial for India in two critical areas: one, implementation of the disciplines on agricultural subsidies and, two, opening up the markets for both agricultural and non-agricultural products.
- The **WTO Agreement on Agriculture (AoA)** provides an elaborate discipline on subsidies.
- The discipline exists in case of price support measures (minimum support price) and input subsidies which 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 cannot 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.

Conclusion:

- The government needs the policy space to provide adequate levels of subsidies to a crisis-ridden agricultural sector, and therefore it is imperative that continues to enjoy the benefits as a developing country member of the WTO.
- Over the past two years, the government of India has been extensively using import tariffs for protecting Indian businesses from import competition.
- Recently announced budget has enhanced the level of protection of the domestic players in several key sectors, thus pushing the average tariffs even higher.