

## ● US-INDIA ROW

# Eight-year window to bring down export subsidies, if any, says govt

FE BUREAU  
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**COMMERCE SECRETARY RITA** Teatoia on Thursday contended that the country has a window of eight years to bring down export subsidies, if any.

"The US has asked for a consultation process, we will engage fully in the process and we would make sure that we make our position known to the US. We expect that they would also engage with a positive spirit with an effort to resolve a dispute with a friendly country," Teatoia told reporters.

The US on Wednesday sought consultations with India under WTO's dispute settlement mechanism.

When the Agreement on Subsidies and Countervailing Measures (ASCM) was made, developing countries with per capita gross national income (GNI) of above \$1,000/annum were given eight years to phase out export subsidies.

"We have clearly assumed that the same period of eight years is available to the countries as and when they cross the threshold of \$1,000 and this is the spirit of the agreement. India has submitted a

**There is a difference between production and export subsidies. We will ask (the US) how they have arrived at \$7 billion, Teatoia said on USTR estimate of India's export subsidies**

paper in 2011 and has been raising it," she said. There are several countries who have crossed the GNI threshold and continuing with subsidies, she said, but declined to name any.

"Our presumption is that India also has a similar period of eight years to graduate out of the subsidy regime and this is what we would be placing before the US. We are hopeful that they would recognise this time-frame," she said, adding that India has always complied with WTO norms and will continue to do so. India will respond to the issues raised within 60 days as per the norm, she said.

"It is very absurd to expect someone to get eight years if the country's threshold is \$1,000 and deny another country the same benefit if it reaches the threshold immediately next year," said another official asking not to be named.

Teatoia said India will review all existing schemes to ensure that they comply

with the ASCM. Whether eight years will be calculated from the year of notification or the year in which India graduated the threshold could be a point of discussion, she said.

However, since India got to know after WTO notified it in 2017, that should be the base year, she added.

The commerce secretary also said one year before the expiry of eight years if a country feels there are reasons to continue with subsidies beyond that period, which are justified, it can seek consultation and extension of time. These provisions are already there in the ASCM.

"We do not consider all these as export subsidies," she said when asked what is the amount of export subsidies India provide. "We will ask them how they have arrived at that \$7 billion," she said, referring to the USTR estimate of India's export subsidies, adding that there is a difference between production and export subsidies.

## RULES AND WAY FORWARD FOR WTO COMPLIANCE

**THE WORLD TRADE** Organisation (WTO) rules generally condemn subsidised exports that harm the domestic industry of an importing country. However, countries are permitted to implement incentive schemes for refunding the customs duty paid on imported inputs that are consumed in the production of the exported product. Countries can also implement incentive schemes for refunding the domestic indirect taxes paid on inputs that are consumed in the production of the exported product.

India has to quickly formulate suitable tax neutralisation schemes (successor schemes) which comply with the requirements under the WTO. The design and implementation of any successor scheme should adhere to the requirements of a duty neutralisation scheme as mandated under WTO rules of the Agreement on Subsidies and Countervailing Measures.

The scheme has to adhere to certain strict requirements that are

mentioned below:

First, a successor scheme has to stand up to the preliminary test stipulated in WTO rules that there should be a built-in obligation to actually consume the inputs (on which indirect tax concessions have been provided) in the production process.

Second, the exporter must maintain accounting records demonstrating which inputs, and in what quantities, are consumed in the production process of the exported product.

Third, there should be a mechanism to verify and confirm which inputs, and in what quantities, are consumed in the production process of the exported product.

Fourth, indirect tax concession should be limited to concessions on the following: inputs physically incorporated in the exported product, fuel, energy, catalyst and oil. Thus, indirect tax concessions on capital goods used in the production of the exported product cannot qualify as a permissible subsidy.