# SDT and India’s Future

**Mains:** *GS II – Effect of Policies and Politics of Developed and Developing Countries on India’s interests*

## Why in News?

*Recently, China has announced during a UN General Assembly event that it will no longer seek Special and Differential Treatment (SDT) in future WTO negotiations.*

## What is special and differential treatment (SDT)?

- **Special and Differential Treatment (SDT)** – It refers to provisions within World Trade Organization (WTO) agreements.
- It provide developing and least-developed countries (LDCs) with special rights, flexibility, and longer transition periods to implement trade rules, as well as measures to support their trade interests and infrastructure.
- **Key Provisions** – The key provisions of STD are
  - **Longer Implementation Periods** – Developing countries are often given more time to implement WTO agreements and commitments.
  - **Increased Trading Opportunities** – Measures are designed to help developing nations expand their trade.
  - **Support and Safeguards** – Provisions require members to protect the trade interests of developing countries and provide support for infrastructure and capacity building.
  - **Specific Measures** – It includes provisions for things like agricultural support for food security and protection of new industries.

## How special and differential treatment helps countries?

- **Benefit for India** – Rooted in the GATT legacy, SDT grants flexibilities like higher tariffs and extended compliance periods.
- It is essential for shielding vulnerable populations in a nation where per capita income ranks 136th globally.
- At the heart of the debate lies agriculture, employing around half of India’s workforce and underpinning the food security of 1.4 billion people.
- **Agreement on Agriculture (AoA)** – Under this the WTO’s subsidies are boxed.
- The trade-distorting Amber Box is capped at 10% of production value for developing countries, versus 5% for developed ones.
- **Supports PDS** – India leverages Article 6.2 exemptions for input subsidies to low-income farmers.

- This channels over $40 billion annually through mechanisms like Minimum Support Prices (MSP) for staples such as rice and wheat.
- These support the Public Distribution System (PDS), distributing subsidised grains to 800 million beneficiaries.
- **Benefit for china** – This concession, preserves China's self-declared developing country status and all existing perks.
- The perks include lenient subsidy caps and phased implementation of agreements.
- **China's withdrawal from SDT** – It is a tactical retreat amid escalating US tariff pressures and long-standing US objections to the practice.
- While the WTO lauded it as a breakthrough for reform, sceptics see it as symbolic window-dressing, allowing China to deflect criticism without dismantling its agricultural and industrial advantages.

## What are the pressures on India?

- **Caution for India** – The withdrawal of china from STD is a harbinger of intensified scrutiny.
- President Donald Trump has just announced 100% tariffs on branded and patented pharmaceutical products and also announced broader tariffs on furniture, kitchen cabinets, and trucks.
- **Pressure on India** – As one of the largest economies in the world, there already are demands for India to shed its developing nation armour.
- India's trajectory toward becoming an even larger economy will only amplify this pressure.
- Yet, this ascent clashes with India's reliance on SDT, a cornerstone since its 1995 WTO accession.
- However, the 1986-88 reference prices, critics argue, inflate India's reported Aggregate Measurement of Support (AMS), often exceeding the 10% threshold.
- **Complaints on India** – US and the Cairns Group targeted India for alleged market distortion.
- Developed nations, doling out $850 billion in global farm subsidies in 2023 (per OECD estimates).
- But they hypocritically target India's programmes while protecting their own through Green Box loopholes for research and environmental aid.

## What will be the implications if India loses developing countries status?

- **Reduces subsidies** – Phased AMS reductions could slash subsidies by 20-30% over a decade, per AoA timelines.
- **Reduces rural income** – This leads to a 10-15% drop in rural incomes and heightened food price volatility.
- **Increases malnutrition** – It may affect 35% of children under five, might worsen, undermining the National Food Security Act.
- Recent WTO disputes, like the 2023 sugar subsidy panel, underscore these points where India averted penalties via SDT, but future plurilaterals may demand reciprocity.

## What can India do to balance its priorities and ensure a pragmatic pivot?

- **Agriculture** – India should strive to lead the G33 coalition to extend the 2013 Bali Ministerial's interim "peace clause" on public stockholding beyond 2023, shielding MSP and PDS from WTO disputes until 2030.
- This can be tied to demands for developed nations to eliminate export subsidies, as pledged in 2005 at Hong Kong.
- It can look to transition input subsidies.
  - **For example**, fertilisers via direct benefit transfers, to Green Box measures like research, extension services, and climate-resilient crops.
- This aligns with WTO rules, as Green Box subsidies are exempt from caps, and supports India's 2040 net-zero goals.
- It can also advocate for updating AoA reference prices to reflect current market realities, reducing reported AMS breaches.
- **Service sector** – India's services dominance with 55% of GDP — offers leverage.
- **DBT** – Domestically, reforms like DBT which covers 90% of fertiliser subsidies can also help.
- **E-commerce** – India should join plurilateral e-commerce talks, offering commitments on consumer protection and cross-border data flows, in exchange for tariff-free access to developed markets.
- But this could be done with measure to protect national security.
- **Empowering MSME** – It should build domestic capacity, expand the Open Network for Digital Commerce (ONDC) to empower MSMEs in global e-commerce, and reduce reliance on SDT tariff protections.
- India must also negotiate data localisation flexibilities.
- **Push for tiered data regulations** – This allows developing nations longer transition periods to comply with global standards, preserving India's Personal Data Protection Act.
- **Phasing out non-essential SDT** – India should phase out SDT in sectors that are non-core and gradually reduce tariff protections over a decade, to gain market access across geographies or in areas where Indian exports face duties.
- It must also secure SDT exemptions for vulnerable segments.
- It should use Green Box funds to enhance processing and cold storage, boosting export competitiveness in select sectors without breaching WTO caps.
- **Intellectual property** – India must maintain compulsory licensing and patent opposition provisions under TRIPS Article 31, citing public health needs for 1.4 billion people, as affirmed in the 2001 Doha Declaration.
- It should offer phased alignment with stricter IP rules in non-critical sectors to secure concessions in other areas of strength.
- Alongside this, it should increase Green Box-style funding for biotech innovation, reducing dependence on generic exports while preserving access for low-income populations.
- **Tiered STD framework** – India should also propose a tiered SDT framework based on per capita GDP or sectoral competitiveness, allowing India to retain agricultural protections.
- Unlike China's state-driven economy, India's democratic constraints limit rapid SDT abandonment.

- By prioritising food security, leveraging e-commerce strengths, and trading non-core SDT, India can move forward while protecting vulnerable sectors.
- Proactive steps and advocacy will position India as a middle power, shaping a WTO that balances growth with equity.

**Reference**

The Indian Express| India Needs a Plan