WTO Dispute over India’s Sugar Export Subsidies

What is the issue?

A World Trade Organization panel ruled that India violated international trade rules when it offered excessive subsidies for the production and export of sugar and sugarcane.

What is the dispute about?

- The dispute dates back to 2019, when three major sugar exporting nations - Brazil, Guatemala and Australia challenged some of India’s policies for the sugar sector at the WTO.
- The complainants alleged that the domestic support given by India to cane farmers exceeded the limit set by the WTO.
- They also said that India provided prohibited export subsidies to mills.
- After a series of inquiries, the panel circulated its report to members, although it has not yet been adopted.

India is the world’s largest sugar producer after Brazil exporting a record 7.1 million tonnes of sugar in 2020-2021

What are the findings of the WTO dispute panel?

- The panel observed that for five consecutive sugar seasons, (2014-15 to 2018-19), India provided non-exempt product-specific domestic support to sugarcane producers **in excess of the permitted level of 10%** of the total value of sugarcane production.
- The panel also found that the challenged schemes are export subsidies within the meaning of Article 9.1(a) of the Agreement on Agriculture.

Article 9.1(a) applies to 'direct subsidies', including 'direct subsidies' granted in the form of payments-in-kind.

- It has observed that, under the challenged schemes, India has provided subsidies based on the export performance which is inconsistent with **The**

Agreement on Subsidies and Countervailing Measures (SCM Agreement).

- As a result, the panel found that India was acting inconsistently with its obligations under the **Agreement on Agriculture (AoA).**
- It has recommended India to bring the measures at issue into conformity with the WTO agreements.

SCM Agreement of WTO addresses the topics of multilateral disciplines regulating the provision of subsidies, and the use of countervailing measures to offset injury caused by subsidized imports.

What is India's response to the ruling?

- The Commerce Ministry denied the findings of the panel as erroneous and completely unacceptable to India.
- India feels that the panel has evaded key issues which it was obliged to determine and termed the panel's findings lack logic and rationale.
- India believes that its measures are consistent with its obligations under the WTO agreements.
- Also, India has initiated all measures necessary to protect its interests and to file an appeal at the WTO against the report to protect the interests of its farmers.

What will be the impact of the WTO panel's findings on sugar sector?

- The Indian government is not extending any assistance for sugar exports this season (October 2021-September 2022) because of the high global sugar prices, lower production and supply issues.
- The Commerce Ministry has said that there will be no impact of the WTO panel's findings on sugar on any of India's existing and ongoing policy measures in the sugar sector.

References

1. https://www.thehindubusinessline.com/markets/commodities/wto-panel-faults-indias-sugar-export-subsidies/article37955311.ece?homepage=true
2. https://www.thehindu.com/business/Industry/wto-panel-rules-against-india-sugar-

subsidies/article37955689.ece?utm_source=industry&utm_medium=sticky_footer

Quick facts

Agreement on Agriculture (AoA)

- It is a treaty of the World Trade Organization.
- It was negotiated during the Uruguay Round of the General Agreement on Tariffs and Trade, and entered into force with the establishment of the WTO on January 1, 1995.
- The agreement focuses on elimination of the so-called ‘trade distorting’ agricultural subsidies.
- The agreement has garnered fixed commitments from all WTO nations on three aspects of agro supply chain.
    1. Improving market access (by removing trade barriers)
    2. Subsidies (given for enhancing domestic production)
    3. Providing export doles

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