RESPONSES BY INDIA TO THE QUESTIONS POSED BY THE US AND AUSTRALIA ON INDIA'S NOTIFICATION OF SUBSIDIES

1. Answers to the US questions

Questions

Why did the Government of India not report the following:

(a) pre-shipment export loans provided by the Reserve Bank of India through commercial banks;

(b) agricultural subsidies involving deferred collection of interest and penalties, fertilizer and other input subsidies, and price supports (for wheat, rice, sugar cane, cotton seed, potatoes, onions and raw cotton); and

(c) the International Price Reimbursement Scheme (IPRS)?

Answers

(a) In advancing pre-shipment export loans, the banks in India charge rates which are higher than the rates which they have actually to pay for obtaining the funds. These loans cannot therefore be regarded as export subsidies.

(b) These practices do not operate directly or indirectly to increase exports of these products from or to reduce imports of these products into India.

(c) The difference between the domestic and the international price of inputs used in the manufacture of the exported product is reimbursed to the exporters/manufacturers. The international price is reviewed at regular intervals to ensure that inputs are available to the exporters on terms and conditions which are not more favourable than those commercially available in the world market. The scheme cannot be construed as subsidy in terms of item (d) of the Illustrative List of Export Subsidies.
Questions submitted by Australia to the delegation of India

With respect to the notification of India (L/6450/Add.3), we note that paragraph three of the above document states that the Government of India permits domestic companies and resident non-corporate taxpayers to claim tax deductions for the "whole of the income derived by the asessees from the export of goods or merchandise".

Although we are aware of the provisions of Article 14:5 of the Code with respect to developing countries, we note that the above measure appears to be inconsistent with Item (e) of the Illustrative List of Export Subsidies annexed to Article 9 of the Code, viz. "the full or partial exemption, remission or deferral specifically related to exports of direct taxes or social welfare charges paid or payable by industrial or commercial enterprises". We wonder whether India intends to continue to maintain a measure which is inconsistent with its obligations under the Code.

If so, when would India expect to be able to enter into a commitment on this matter as required under Article 14:5 of the Code, that it will endeavour to eliminate the measure as soon as its competitive and development circumstances change?

Answer to the question posed by Australia (SCM/W/199 dated 25.8.1989)

The Illustrative List appended to the Subsidy Code has to be read with Article 9 of the Code. For India, Article 14.2 is also relevant. This Article specifically allows developing country signatories to adopt measures and policies to assist their industries, including those in the export sector. It is specifically provided that the commitment of Article 9 shall not apply to developing country signatories. There cannot therefore be any question of the notified measure being inconsistent with India's obligations under the Code. India is aware of the requirement of Article 14.5 and reaffirms its intention to reduce or eliminate export subsidies when the use of such export subsidies is inconsistent with its competitive and development needs.