

EPW 25th to 31st March 2019

➤ India should keep an eye on farm subsidies (BL 28/3/19)

- WTO in February 2019 has given a ruling in favour of US, in one of the two disputes filed by US against China's farm subsidies
- China is not an original member and acceded to WTO in 2001. Hence it has been given a special treatment under the Agreement on Agriculture (AoA). It has been allocated a de minimis limit of 8.5% of the total value of agriculture production (founding members have been allocated a de minimis limit of 10%)
- US has alleged that China has crossed the de minimis limit for Indica rice, Japonica rice, wheat and corn for the years 2012 to 2015 (the domestic subsidy regimes are captured in the concept of AMS - Aggregate Measurement of Support)
- In various countries the agriculture support is provided in the form of Market Price Support (MPS), whereas in case of China it is provided in the form of MPP (Market Procurement Price. In MPP the government agencies will procure the food grains only when the market prices will fall below the MPP. Hence this has to be counted as a part of domestic support
- Calculation of Market Price Support
 - Price gap between applied administered price and the fixed external reference price multiplied by quantity of eligible production
 - In AoA there is a lack of clarity related to what will constitute the quantity of eligible production (is it total production or the quantity procured by the WTO member country)
 - Earlier in case of Appellate Body ruling in case of Korea - Beef (2000), the quantity that received the support was considered as quantity of eligible production
 - In case of China, the WTO panel has held that the entire volume of production done in the provinces will be considered as quantity of eligible production
- The ruling is important for developing countries such as India, as these countries usually do not set targets for procurement of food grains and such programmes may come under WTO dispute scrutiny

➤ 100% rural electrification is not enough (BL 27/3/19)

- Energy security does not just mean electricity connection, rather it also involves electricity supply
- As per Saubhagya website about 20,000 more houses are to be electrified in Chhattisgarh with which the whole of India will be

electrified. It is no doubt a good beginning but the government has to ensure quality, affordable, reliable electricity supply

- So far the above objectives have not been met satisfactorily. The focus has been on covering the households rather than providing quality electricity
- The supply has been the purview of the discoms. These discoms are suffering losses and are cash strapped. Hence they don't have any incentive to provide electricity to rural poor households
- There is a need to implement a supply focussed rural electrification drive
- So far the majority of the complaints raised have been related to metering, billing and payment complaints following this, the complaints on power outages dominate the list. Though government claims that rural households get power supply on an average for 16 to 24 hrs, the nationwide survey Ministry of Rural Development in 2017 has found that only half of the villages get more than 12 hrs a day
- Apart from the households' areas such as agriculture, schools, small businesses etc should be given access to electricity. As per the surveys, agriculture gets 7 to 8 hrs of electricity in most of the states (mostly during night)
- Apart from this it is also important to ensure development of distribution infrastructure in rural India
- There is a need to track post connection parameters such as issue of first bill, hrs of supply, distribution transformer failure etc

➤ **India must support proposal to end crisis in WTO DSB (BL 27/3/19)**

- The DSB (Dispute Settlement Body) consists of an Appellate Body (AB) takes up the appeals by the party/country against the findings of the panel appointed by General council
- For the AP to take up the cases there must be at least 3 judges (sanctioned strength is 7 members)
- By December 10, 2019 two judges are going to retire taking the number of judge to 1. In simple terms the AB will become non-functional
- The appointment of judges has been opposed by US citing the need of improved functioning of the AB
- The way out of this would be using the Article IX of the WTO, which provides Administrative Majority Decision rather than consensus i.e. in case the a decision cannot be arrived by consensus the matter at issue shall be decided by voting. This would require convening of a meeting by General Council or Dispute Settlement Body

➤ **India and US sign pact (TH 28/3/19)**

- India and US sign pact to automatically exchange CbC (Country by Country) reports
 - This will reduce the compliance burden on the subsidiaries of MNE (Multinational Enterprises) working in India
 - Under BEPS Plan, the countries in order to reduce the profit shifting have to exchange the information related to businesses of MNEs in different tax jurisdictions (these exchanges are referred to as CbC Reports). Under this an MNE will submit the information (file reports) related to functioning of its subsidiaries in various tax jurisdictions to the government, which then will share this with the tax authorities of different countries in whose jurisdiction these companies are functioning
 - BEPS (Base Erosion and Profit Shifting) refers to the activities of MNEs wherein these will transfer the profits (from high tax jurisdiction to low tax jurisdiction) in order to pay lesser taxes. This erodes the tax base of high tax jurisdiction and deprives them of high revenues
 - The BEPS plan has been adopted by OECD and G20 countries in 2013. This plan stated that transparency must be enhanced in order to mitigate risk from profit shifting
- **Need to promote the FPOs (BS 28/3/19)**
- One of the ways of alleviating the rural distress is by promoting the FPOs (Farmer Producer Organisations) or FPCs (Farmer Producer Companies)
 - The FPOs are playing an important role by bargaining better for the inputs and selling the farmers output, apart from this they are also adding value to the farm produce and ensuring higher returns in agriculture and allied activities. The number of FPOs have ballooned from being over 100 in 2010 to over 4000 today
 - Features of FPOs
 - FPOs are a combination of co-operatives and private companies. The participation, organisation and membership etc resembles the co-operatives, the day to day functioning resembles the private sector companies. The shareholders in FPOs will have a single vote irrespective of the size of the shareholding
 - Since the shares are not traded in the stock market, there is no risk of hostile takeover
 - The Companies Act has been amended (section IX A) to allow formation and registration of these
 - Some of the recent initiatives are
 - Government has given a tax holiday for five years (earlier they were taxed at the rate of 30%)

- The setting up of small credit guarantee fund of ₹ 100 Cr in SFAC (Small Farmers' Agribusiness Consortium)
- Some of the issues facing this sector are
 - Difficulties in getting access to institutional finance. Banks are hesitant to lend to these, as they lack assets, which are to be given as collateral
 - Inability to operate in regular agriculture markets. The licensed traders are opposed to their participation
 - Lack of legal recognition under contract farming regulations
 - The task of promoting these have been given to parastatals such as NABARD, SFAC etc, which have their own limitations

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