

## CDG on ARABLE CROPS – SUGAR sector

3/6/16

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**Information by the Commission on the follow-up of responses by India, Thailand and Brazil on sugar issues rose at the WTO Committee on Agriculture****India**

India introduced an incentive scheme for raw sugar exporters in February 2014. This instrument included direct export subsidy payments to sugar mills which exported their production. The value of subsidies were Rs 3300/MT to Rs 4000/MT in the 2014-15 season allocated to support 14 lac MT (LMT) of raw sugar exports, topped with regional subsidies in the Indian state Maharashtra. The EU, together with other WTO members, was critical of India for such export subsidies for raw sugar, and questioned India's compliance with their scheduled WTO export subsidy commitments and understanding reached at the WTO's Bali Ministerial meeting in December 2013, which called for the reduction and gradual elimination of all export subsidies. As a reaction to such criticism, India decided in November 2015 to discontinue direct export subsidies and instead introduced production incentives to sugar mills which have exported at least 80% of the targets notified under the Minimum Indicative Export Quota (MIEQ). Although more complicated from the legal point of view, the EU continues to have concerns about such a measure, in particular after the WTO Nairobi Ministerial Decision on Export Competition which established a phasing period for the developing countries to eliminate export subsidies. The EU will continue to monitor the situation in India in that respect, the most recent set of questions will be submitted to India for the meeting of the Committee on Agriculture to be held in June 2016.

**Thailand**

The EU sought information on the operation and administration of Thailand's sugar policy in the margins of the Committee on Agriculture meetings of March and June 2015. Although the Thai responses were rather unconvincing, the discussion on this matter has stopped in the Committee on Agriculture since Brazil has decided to launch dispute settlement proceedings against Thailand's sugar regime in April 2016, by requesting formal consultations with Thailand. The EU has requested third party status in these consultations which Thailand refused. However, this does not preclude the EU from requesting third party status in any subsequent panel proceedings, where Thailand would not be able to block EU participation. Although formally under the competence of DG TRADE and the Commission Legal Service, DG AGRI continues to monitor the proceedings of this case and can report back to the civil dialogue when appropriate.

**Brazil**

In the past the EU has put questions to Brazil on their "Proex Financiamento" export financing programme and "REINTEGRA" programme designed to offset the costs to Brazilian exporting companies arising from residual indirect taxes accumulated throughout the production chain which could not be reimbursed by the traditional methods. Responses provided by Brazil were satisfactory and confirm that Brazil does not appear to breach any of its WTO commitments. Therefore, Commission has no plans follow-up on this issue in the WTO Committee on Agriculture. However, the Commission cannot exclude that further scrutiny on Brazil's export policies is exercised in the context of the annual examination of export competition which will be held in June 2016.

All questions and answers submitted to the WTO Committee on Agriculture are public and can be consulted at:

<https://agims-qna.wto.org/public/Pages/en/Search.aspx>