



# Countervailing Duties on Four Indian Products

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## Why in News?

The **United States and the European Union** have now imposed [countervailing duties \(CVDs\)](#) on four Indian products, as a retaliation against the [Remission of Duties and Taxes on Export Products \(RoDTEP\) scheme](#) introduced for outbound shipments in January 2021.

- Countervailing investigations concluded with CVD determinations for items like **paper file folders, common alloy aluminum sheet, and forged steel fluid end blocks by the U.S.**, while **specific graphite electrode systems were investigated by the European Commission.**

## What is Countervailing Duty?

- **Countervailing Duty: CVD** are tariffs levied on imported goods to offset subsidies made to producers of these goods in the exporting country.
  - CVDs are **meant to level the playing field between domestic producers of a product and foreign producers of the same product** who can afford to sell it at a lower price because of the subsidy they receive from their government.
  - The [World Trade Organization \(WTO\)](#) permits the **imposition of countervailing duty by its member countries.**
- **WTO's SCM Agreement:** The [WTO's Agreement on Subsidies and Countervailing Measures \(SCM Agreement\)](#) addresses two main aspects: multilateral regulations regarding subsidies and the **use of countervailing measures** against injury from subsidized imports.
  - Multilateral disciplines set rules on subsidy provisions and are enforced through the WTO dispute settlement mechanism.
  - **Countervailing duties are imposed unilaterally by a member** after investigating and satisfying criteria under the SCM Agreement.
- **Defining Subsidies:** "[Subsidy](#)" is defined in the SCM Agreement as a **financial contribution by a government** conferring a benefit. Specificity determines whether a subsidy applies to a particular enterprise, industry, or region.
  - **Subsidies are categorized as prohibited (e.g., export subsidies, local content subsidies) and actionable (subject to challenge or countervailing measures).**
  - Actionable subsidies can cause injury, prejudice, or nullification of benefits.
  - However, transition rules **provide exemptions or extended periods for developing countries and those transitioning to market economies** to phase out certain subsidies.

## Who Imposes Countervailing Measures in India?

- **Directorate General of Trade Remedies (DGTR)** under Ministry of Commerce & Industry, is the single national authority for administering all trade remedial measures including **anti-dumping, countervailing duties and safeguard measures.**
  - The Directorate General of Anti-Dumping & Allied Duties (DGAD) which was formed in 1997 has been restructured as DGTR in May 2018 by restructuring and re-designing DGAD into

DGTR by incorporating all the trade remedial functions i.e. **Anti-Dumping Duty (ADD), Countervailing Duty, Safeguards Duty (SGD), Safeguards Measures (QRs)** under a single window framework.

- It is a quasi-judicial body that **independently undertakes investigations before making its recommendations** to the Central Government.

## What is the RoDTEP Scheme?

- The **RoDTEP (Remission of Duties or Taxes on Export Products)** Scheme aims to offset taxes and duties incurred on exported goods that are not refunded otherwise, ensuring competitiveness in global markets.
- This scheme provides rebates on hidden Central, State, and Local duties that were not refunded under other schemes, **encompassing both direct and prior-stage indirect taxes.**

## UPSC Civil Services Examination, Previous Year Question:

### Prelims

**Q. With reference to the international trade of India at present, which of the following statements is/are correct? (2020)**

1. India's merchandise exports are less than its merchandise imports.
2. India's imports of iron and steel, chemicals, fertilizers and machinery have decreased in recent years.
3. India's exports of services are more than its imports of services.
4. India suffers from an overall trade/current account deficit.

**Select the correct answer using the code given below:**

- (a) 1 and 2 only
- (b) 2 and 4 only
- (c) 3 only
- (d) 1, 3 and 4 only

**Ans: D**