CHAPTER – 6

WTO AGREEMENT AND NATURAL RUBBER

6.1. Introduction

The General Agreement on Tariff and Trade (GATT) founded in 1947 by 23 member countries was transformed into WTO on 1st January 1995 with 136 member countries. It envisages open markets, non-discrimination and global competition in international trade for the national welfare of all countries. It is responsible for administering multilateral agreements negotiated by its members. Since India is a signatory to the WTO, the country is bound to honour its commitment with the organisation. NR is one among many items of commodities under the influence of WTO Agreement.

This chapter analyses the impact of WTO agreements on NR in India. Three specific aspects of WTO agreements are being studied to determine its impact on NR. They are:-

a) WTO agreement on non-agriculture commodities and its impact on natural rubber.
b) Removal of quantitative restrictions (QRS) and its impact on NR
c) WTO agreement on agriculture to analyse the loss of natural rubber as it is a non-agricultural commodity.
Natural rubber sector is also included in the WTO agreement. Relevant provisions in the WTO Agreement leading to liberalisation in the Indian rubber sector are noted below.

6.2. Status of NR in the WTO Agreement

As per the WTO agreement, NR is not an agricultural product but a non-agricultural commodity used as an industrial raw material. Therefore, NR will come under the purview of provisions related to the non-agricultural product of WTO Agreement.

6.3. Provisions of Bound Rates under WTO Agreement

Immediately after transformation of GATT to WTO, each country offered to WTO the import duty rates for various items it wants to fix. Through negotiations with member countries of WTO, the rates were finalised for each product. The rate so fixed by each member country with WTO is termed as Bound Rate. For those products which have no Bound Rate, it should be fixed before 31st March 2001. It has to be achieved in the following manner.

a) The year 1990 is to be taken as the base year.

b) Import duty prevailed in 1990 on a commodity is to be reduced in six equated installments starting from 1995 and ending before 2001.

c) In the case of those items where the rates were higher than 40% in 1990, the same was to be brought down to 40% by 2001.

d) Where the rates were 40% or lower, the same was to be brought down to 25%.

Certain other aspects of Bound Rate under WTO Agreements are noted below.

1) Bound Rate or ‘Tariff rate’ is prescribed by parliament and it can be altered only with the approval of parliament. Government can then fix the effective rate, which should be the same or lower than the tariff rate.

2) WTO does not deal with effective rate. It goes by Bound Rate.
3) Each country can reduce the Bound Rate. But it can not increase the Bound Rate without the approval of WTO.

4) Once the Bound Rates are fixed for a country, it would be applicable on imports to that country from all WTO member countries under Most Favoured Nation (MFN) and National Treatment (NT) principles. 

5) According to WTO, any tax leviable on domestic trade could be charged on imports also. It would be outside the Bound Rate. Hence, counter-vailing duty in lieu of excise duty and Special Additional Duty (SAD) in lieu of sales tax could be levied on imports and the same would be outside the ambit of Bound Rates.

6) Surcharge of 10% can be levied wherever the import tariff is less than 40%.

India achieved the Bound Rate by 1999, one year ahead of scheduled year of 2001 for almost all items as shown in Appendix 8.

6.4. Implication of Bound Rate Provisions on NR in India

The above mentioned provisions of WTO agreements have affected NR in India as follows.

a) Government of India has fixed the Bound Rate for NR at 25%, as the import duty in the base year 1990 was 40%.

b) Since the Bound Rate is below 40% a surcharge of 10% was also levied.

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1The WTO agreement which is based upon GATT stands on two basic principles MFN and NT
a) Most Favoured Nation (MFN) Under this clause, every signatory will extend to every other signatory member the same and equal treatment in a non-discriminatory manner.
b) National Treatment (NT) It implies that no country shall discriminate between an imported product and a similar domestic product. In other words, after a product is imported, it must get the same treatment and not inferior to that of a like product.
c) Finally the government fixed the effective total duty at 36.81% which is higher than the Bound Rate. But it is lower than the import duty of 40% prevailed in the base year, 1990.

There is a considerable pressure on India from both developed and developing countries to reduce the bound rates further. Many developing countries are not able to take full advantage of the huge Indian market because of the high level of effective import duty. Developed countries have agreed to bring down their average tariff rate from 6.3% to 3.8%. Japan, Canada, EU, and the USA have already reached 3.8% level. Average import duty rate of Asian countries other than India is 16% as against 27% in India. EU has suggested to India for import duties of three slabs, 25%, 20%, and 10%. EU has suggested this because admittance to WTO of new members in the recent times is given on the condition of adhering to this level of tariff. On the basis of this emerging scenario, experts on WTO forecast that by 2005 the average import duty rate for non-agricultural goods in India would come down to 10%. Consequently, the present bound rate of 25% for NR will also come down leading to its high import and the resultant decrease in the domestic price of NR.

6.5. Removal of Quantitative Restrictions (QRS) and Its Impact on Natural Rubber

Article xviii.B of GATT allows the member countries to impose quantitative restrictions on import whenever the balance of payment position deteriorates\(^2\). QRS were being maintained by India ever since 1947 on balance of payments ground. The country removed QRS on a phased manner to comply with the commitment to WTO Agreement\(^3\). Impact of the removal of

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\(^2\)Quantitative Restriction refers to specific limits imposed by countries on the quantity or value of goods that can be imported. In India imports are being restricted through non-automatic licences, canalised import, special import licence, actual user criteria etc. These restrictions were imposed because India presumes that she has an unfavourable balance of payment position.

\(^3\) Till 1993, India's Balance of Payment (BoP) position has been quite uneasy. Since 1994-95, there has been steady improvement in India's foreign exchange reserves position (Centre For Monitoring Indian
QRS was reflected on the NR only on 1st April 2001, when the Government lifted restrictions on the final list of 715 items. As a result NR has been shifted from Negative List of restricted items to the Open General Licence list since 1st April 2001. This is the first time that NR is considered as an item of free import. Now any quantity of NR can be imported at any time by any person after paying a specified rate of import duty.

After finalising the process of QRS removal, the Government prepared a list of items called 'State Trading List' which includes some agricultural products such as wheat, rice, maize, coarse, cereals, copra and coconut oil with a view to regulate their import. Those products which are placed in the state trading list can be imported only by a designated Government agency and no private individual is permitted to import such items. Since NR is a non-agricultural product under WTO agreement, it lost the privilege of being placed in the State Trading List for import regulations.

Economy,(2001). With the improvement in the BOP position, certain members of WTO questioned India's justification to continue QRS for BOP reasons in 1995(Ministry of Commerce & industry,(2000).

By 1997, India could negotiate with most of the trading partners, with the exception of the USA, to arrive at a mutually agreeable solution for phasing out QRS. Under the agreement, QRS were to be withdrawn over a period of six years ending 31st March 2003. The USA, however, felt that the period was too long and filed a dispute against India in the WTO against 2714 tariff lines on which India maintained QRS on imports for BOP reasons(Ministry of Commerce & Industry, India and the WTO, Vol. 2, No. 1, October 2000).

A Dispute Settlement Panel of the WTO constituted on November 1997 requested India to settle the issue in conformity with its obligations under the WTO agreement. Consequently India filed an appeal before the Appellate Body of the WTO against findings of the panel. But the Appellate Body did not accept the claims of India under BOP grounds were not justified. Therefore, India should remove QRS on 2714 tariff lines by 1st April 2001.

The process of removing QRS were started in India on 1st April 1996 by lifting restrictions on 6161 tariff lines out of 10202 tariff lines. By April 1997 Government of India removed QRS on 1327 tariff lines out of 4041 tariff lines and reducing the QRS on 2714 tariff lines only. Restrictions on 1285 items were removed on 1st April 1999 in accordance with the bilateral agreement between India and the USA in the QR dispute case. QRS on the remaining 1429 tariff lines were removed by India by two stages on the basis of the recommendation of Dispute Settlement Panel of the WTO. As a first stage, QRS on 714 out of the 1429 tariff lines were lifted on 1st April 2000 with the announcement of Exim policy 2000-01. The final stage of removing QRS on the remaining 715 items took place on 1st April 2001 with the announcement made by the Union Commerce Minister.
On completing the removal of QRS on 1st April 2001, Union Commerce Minister made it clear that NR would be named in the 'Sensitive List' which includes 300 items. Import of these items will be monitored by the 'War Room' opened in the Union Commerce Ministry, on the basis of the monthly evaluation of demand, supply and price levels of these items.

6.6. Technical Barriers

Another important agreement of WTO is the agreement on Technical Barriers to Trade (TBT). TBT agreement deals with technical regulations and standards related to health and safety including packaging, marking and labeling requirements and environmental protection. The agreement recognises the right of member countries to adopt technical regulations and standards for the purpose of the protection of human health and safety, animal or plant life and the environment. The agreement applies to all products including agricultural and non-agricultural products. TBT should not be used as a measure to restrict import. There are certain technical barriers used by governments to restrict import. Hence it can be seen that two types of TBT are in operation. They are:

a) TBT as per WTO norms, and

b) TBT not in accordance with the WTO norms.

According to WTO agreement, following principles should be observed while using TBT by a country when it is warranted:

1. There should not be any discrimination between locally produced and imported products.
2. Measures under TBT should not cause unnecessary obstacles to international trade.

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4 The War Room consists of Secretaries of Union commerce, Revenue, Small Scale Industry and Animal husbandry&dairy Ministries besides the Director General of Foreign Trade.

5 Ravindran(1999)p.16
3. Measures under TBT should be based on international standards where such standards exist.

4. The conformity assessment procedures should be fair and equitable. It discourages any methods that would give domestically produced goods an unfair advantage.

5. The technical regulations should be promptly published by the country adopting them.

6. Member countries should participate actively in international standardising bodies with a view to harmonising technical regulations and conformity assessment procedures.

Government should not hesitate to devise TBT provisions of WTO against the high import of synthetic rubber and polyurethane as they may cause environmental and health problems. In India it is the practice of rubber goods manufacturers to consume more imported SR than that of its domestic production during the post-liberalisation period. By restricting the high import of SR and polyurethane, the domestic demand for NR can be increased.

6.7. Non-Tariff Barriers

Non-tariff barriers are those measures which prohibit or restrict import to a country such as placing items in the restricted list of import, quantity restrictions, insistence on marking, prohibiting import on the ground of ecology etc. The original GATT did not deal with non-tariff barriers. Even after the formation of WTO in 1995, in the first few years this was not a contentious issue. But when the domestic producers of even the developed countries suffer the burns of high import, the affected countries start to devise

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6 Synthetic rubbers are obtained by the polymerisation of different monomers. This monomers are obtained from the petroleum fractionation. Any leakage of these fraction of monomers cause environmental problems. Likewise polyurethane may also pose health hazard as it is derived from two components viz. polyhydric alcohol and dieiso cyanate. The cyanide moiety could cause environmental pollution problem in the event of a flame hazard. When the waste of polyurethane is disposed off by burning, hydrogen cyanide (HCN) will liberate causing dangerous situation to the existence of human life.
anti-dumping measures and adopt stringent norms against import. The
industrialised countries having very low tariff levels, also adopt non-tariff
measures to restrict imports. This leads to a number of disputes among
member countries in WTO.

Non-tariff barriers are being adopted by different countries on the
assumption that these measures are somewhat aligned to the norms prescribed
in the agreement of TBT\(^7\). In order to protect the interests of rubber cultivators
and manufacturers, Government of India can think about the pros and cons in
imposing non-tariff measures such as insistence of marking and packing,
maintenance of required quality etc., against import of natural rubber and
rubber goods. The government should adopt other innovative non-tariff
measures to protect the domestic natural rubber sector.

6.8. Anti-Dumping Duties

Article VI of GATT contains agreement on implementation of anti-
dumping duties. WTO had framed agreements on anti-dumping based on the
original GATT. Dumping is said to have taken place when an exporter exports
a product at a price less than the price prevailing in his own country.

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\(^7\) A number of instances resorting to stringent norms prescribed even by the developed countries
against import can be seen. A few examples are noted below:

a) Conditional permission for imports of Indian litchis was given in the USA if boxes were labelled
"Not for export to Florida"

b) US insists on testing of goods before entry and compulsory certification. Even US official bodies
have concluded that this testing system has become increasingly complex, costly and burdensome
to national interest.

c) Over 2700 states and municipal authorities in the US insist on particular safety certifications for
products sold or installed within their jurisdictions which are not always uniform or consistent
with each other or even transparent. Environ standards are not uniform and those set by individual
states sometimes go far beyond what is provided for at the federal level.

d) Products which have been hit by these barriers in the last two years include floriculture, textiles,
pharmaceuticals, marine products and basmati exports to EU, carpet exports to Morocco, match
exports to Egypt, mushroom exports to the US, sports and leather goods exports to the developed
world and meat products to West Asia

e) Japanese quarantine rules require fumigation of mangoes, a technology India lacks. In order to
export mangoes to Japan, India has to import fumigation machinery, possibly from Japan.(Ravindran,1999, p.20)
Following are the main agreements relating to the imposition of anti-dumping duties.

1) On the complaint of a domestic producer, Government can impose anti-dumping duty on goods imported provided dumping is proved.

2) If an exporter exports goods at prices lower than the prices at which the same goods are sold in his country, the difference between the two prices is the dumping margin and anti-dumping duty to that extent can be imposed by the importing country, provided:
   (a) dumping has resulted in material injury to domestic industry, and
   (b) there is causal link between injury and import.

3) For imposition of anti-dumping duty ‘material injury’ to domestic product on account of dumped import has to be proved.\(^8\)

4) Anti-dumping duty plus customs duty on a product can be higher than the Bound Rate. Imports under advance licences are exempt from anti-dumping duty whereas imports under Duty Entitlement Pass Book (DEPB) are not. This is because under advance licence scheme, duty free imports are made for export production, which is not the case with DEPB.

There is every possibility to import more NR, SR and rubber goods under the circumstance of lifting up of quantitative restrictions on 1\(^{st}\) April 2001. The government should impose anti-dumping duties on imported NR, SR and rubber goods when it cause material injury to the domestic natural rubber sector.

6.9. Safeguard Measures

Article XIX of GATT is related to the agreement of safeguard measures that can be taken by a country when its domestic industry suffers injury due to the high volume of import. In the case of safeguard duty, as in the case of anti-

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\(^8\) The term ‘material injury’ is not defined in the WTO agreement. The designated authority will have to decide the question of material injury. In India, The Directorate of Anti-Dumping in the Ministry of Commerce is the designated authority to deal with dumping complaints.
dumping duty there should be link between import and injury to domestic producer. In the case of safeguard duty “Serious Injury” is the criteria, i.e., it has to be more than “material injury”.

Since safeguard duty measure is taken not on account of any unfair practice by the exporter, the normal duty plus safeguard duty cannot exceed the bound rate.

No safeguard duty shall be imposed on an article originating from a developing country so long as, the share of imports of that article from that country does not exceed 3% or where the article imported is originating from more than one developing countries, then the aggregate imports does not exceed 9% of total imports into India.

In India, safeguard mechanism is operated by the Finance Ministry on the recommendations of the Safeguard Directorate.

Since NR is treated as a non-agricultural commodity under WTO, its bound rate is very low compared to agricultural commodities. It may lead to high import of the commodity causing serious injury to its domestic production. Then the government should control the import of NR by adopting safeguard measures to protect the interests of Indian rubber growers.

6.10 Subsidies and Counter-vailing Measures

Article VI of GATT contains agreement on subsidies and counter-vailing duty. According to the agreement, on an export, if Government has given subsidies then the Government of the importing country can impose counter-vailing duty to the extent of the subsidy. Counter-vailing duty can be imposed only under the following circumstances.

(a) When subsidy is more than 2% from a developing country and 1% from a developed country.

(b) Volume of subsidised import represents more than 4% of total imports from developed countries collectively and 9% from developing countries. The
rule prohibiting export subsidies will apply only by 1st January 2003 i.e. after a transitional period of 8 years from 1st January 1995.

In the case of countervailing duty, normal duty together with countervailing duty could exceed bound rate as subsidization of export is considered an unfair trade practice. As per the Rules of WTO, subsidies are classified under the following three heads.

a) Red Light Subsidies

Under the first category, any financial help given by Government for an exporting unit as compared to another unit producing for domestic market is prohibited. Therefore, direct subsidies on export performance, subsidies on inputs for export goods, exemption of tax on profit, remission of indirect taxes, draw back duties, export guarantee, export credit at rates below the Government’s cost of borrowing etc., are prohibited.

b) Amber Subsidies

These subsidies are not prohibited, but it can be challenged either through multilateral dispute settlement or through countervailing action, in the event that they cause adverse effects on the interests of another member. Waiver of debts by government, subsidies to cover operating losses, displacing imports from another country etc. would come under this category.

c) Green Subsidies

These cannot be challenged multilaterally or be subjected to countervailing action. Research activities, environmental related actions, development of industries in disadvantageous regions etc., would come under this purview.

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9 Ravindran (1999), p. 25
6.11. Rubber and Countervailing Measures

On the basis of WTO provisions relating to anti dumping duty, countervailing duty and safeguard measures, the probable changes in the Indian rubber front is worthwhile to check. In India, anti-dumping duty has been charged on synthetic rubber since 1998. But on natural rubber it has not been charged as it was mainly imported under advance licence scheme.

Safeguard measures can also be taken when the high import of natural or synthetic rubber cause 'serious injury' to the domestic production of natural as well as synthetic rubber. There is a possibility of high import of rubber goods, including tyre after the removal of QRS on 1st April 2001, especially from China. On such a situation anti-dumping and safeguard measures can be adopted in the interests of the domestic industries.

There is every chance of reducing or eliminating subsidies given by the Rubber Board to cultivators for production and processing of rubber after 1st January 2003 as a part of honouring the commitment with WTO\textsuperscript{10}.

There is an urge in the Indian rubber market to export the accumulated surplus rubber to get a better price. Export of rubber will not be profitable when the international price is lower than the Indian price. But there is a strong pressure on the government to give subsidies for such export. But the WTO provisions will not allow such subsidies and the export of surplus rubber will be impossible after 1st January 2003. Therefore, government should take all possible efforts to export surplus rubber as much as possible even by giving export subsidy before 1st January 2003 to improve the rubber price in the market.

\textsuperscript{10} But subsidies given to cultivators in non-traditional areas will not attract the WTO provision as it is permissible on the basis of disadvantaged region and in traditional areas it is not permissible due to the status of its advantaged region.
6.12. WTO Agreement on Agriculture and Natural Rubber

United Nations Commission for Trade and Development (UNCTAD) has emphatically stated that natural rubber is an agricultural commodity. Therefore, NR has been receiving all the privileges of an agricultural commodity from UNCTAD. But the WTO denied the privileges of an agricultural product, to natural rubber.

It is necessary to analyse the advantages and privileges that NR would have received if it is an agricultural commodity under WTO Agreement. For it, the relevant provisions of WTO Agreement on Agriculture is mentioned below.

The Agreement on Agriculture (AOA) was signed on 15th April 1994 at Marrakesh in Morocco under the Uruguay round of negotiations of WTO. Agreement on Agriculture has three basic clauses, which are as follows.
1. Tariffication or Market Access
2. Domestic Support
3. Export Competition.

6.12.1. Tariffication or Market Access

This clause of AOA proposed an immediate conversion of all non-tariff barriers into equivalent tariff barriers and then reduce them under a time bound programme. The reduction will be effected by 24% over ten years in the case of developing countries and by 36% over six years for developed countries. The least developed countries were exempted from these reductions.

Minimum market access opportunities for imports of primary agricultural product is an important element of this clause. It has to be increased gradually to 5% of the domestic consumption of the product in the

11 Non-tariff barriers (NTB’S) are Quotas, Variable levies, Minimum import prices, Discriminatory licensing, State trading measures, Voluntary restraint agreements etc.

12 Gulati et.al(1999)
base period, 1986 to 1988 if the import of that product was less than 3% of its domestic consumption during the base period\textsuperscript{13}.

Removal of Quantitative Restrictions is another important aspect of the Tariffication clause of AOA. This aspect was explained previously (p.153).

6.12.2. Domestic Support

The second clause of AOA is related to the subsidies that can be given by member countries to their agricultural sector. This clause is incorporated with a view to reduce international market distortions in agricultural commodities. According to the agreements, Aggregate Measures of Support (AMS) will be the basis for calculation of subsidies\textsuperscript{14}. The AMS is calculated on a product-specific basis for each basic agricultural product receiving market price support, non-exempt direct payments or any other subsidy not exempt from the reduction commitment. All other forms of non-product-specific support are to be put together into a single non-product-specific AMS\textsuperscript{15}.

AMS is calculated on the basis of the support extended to agriculture in the period 1986-88. According to the Rules, developed countries which do not subsidise their agriculture much, have been allowed to retain subsidies up to 5% and that of developing countries, up to 10% of their value of agricultural output.

Countries which provide heavy subsidies to their agricultural sector are allowed to increase subsidies. But they are expected to bring down their subsidies by 20% in six years in the case of developed countries, whereas

\textsuperscript{13} Dhar and Chaturvedi (1999)

\textsuperscript{14} AMS means total subsidies that can be given by a member country to its agricultural sector without attracting counter-vailing duty.

\textsuperscript{15} Dhar and Chaturvedi (1999)
developing countries, by 13.3% or $2/3$rd of the amount by which developed countries are committed to decrease their support$^{16}$.

In the calculation of AMS, subsidies under Green Box Measures (GBM) as per Agreement On Agriculture are completely exempted. GBM involves subsidies such as funding for research, pest and disease control, training services, extension and advisory services etc., payments under environmental programmes, payments under regional assistance programmes limited to producers in disadvantaged regions, payments for relief from natural disasters and similar forms of support$^{17}$.

6.12.3. Export Competition

Part V, Article 9 of AOA contains provisions related to the reduction of export subsidies to be adhered by all the member countries of WTO so as to eliminate unnecessary and unhealthy competition in the International marketing of agricultural products. According to the agreement, the export subsidy reduction can be effected either in the form of budgetary outlay reduction or subsidised export quantity reduction$^{18}$.

Direct export subsidies are to be reduced by 36% below the 1986-88 level, in the case of developed countries over the implementation period of six years. The quantity of subsidised exports by the developed countries is to be reduced by 21% in this period. For the developing countries, commitments involve a reduction of direct export subsidies by 24% and quantity of subsidised exports by 14% over the implementation period of 10 years$^{19}$. The least developed countries are not expected to do any reduction commitments$^{20}$.

$^{16}$ Damodaran(2000)p. 9

$^{17}$ Gulati and Narayanam(1999),p.8

$^{18}$ ibid

$^{19}$ Gulati et.al.(1999)p.2939
Following are the export subsidies upon which the member countries are committed to reduce within a specified time limit.

a) Direct subsidies to agricultural producers contingent on export performance.

b) Subsidies on agricultural products contingent on their incorporation in exported products.

c) Subsidies on internal transport and freight charges on export shipment.

d) Subsidies to reduce the cost of export marketing of agricultural products excluding export promotion and advisory services.

e) Export of non-commercial stocks of agricultural products by the Government or its agencies at a price lower than the comparable price charged for a like product by buyers in the domestic market.

f) Payments on the export of an agricultural product, that are financed by virtue of governmental action.

The measurement of the reductions of the subsidies is to be carried out on a commodity-by-commodity basis, with each country notifying to the WTO through schedules. But there is one important provision that, countries not allowing any subsidies in the base period (1986-88) are prohibited from allowing export subsidies under the new dispensation. Thus, a country like India, which has not been using any form of export subsidy, during the period 1986-88, will be prevented henceforth from allowing subsidies in the new dispensation.

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20 WTO identified the following countries as least developed countries:- Angola, Bangladesh, Benin, Burkina Faso, Burundi, Central African Republic, Chad, Congo, Djibouti, Gambia, Guinea, Haiti, Lesotho, Madagascar, Malawi, Maldives, Mali, Mauritania, Mozambique, Myanmar, Niger, Rwanda, Sierra Leone, Solomon Islands, Tanzania, Togo, Uganda
From the foregoing analysis as to the WTO Agreement on Agriculture it can be noted that the natural rubber lost the following privileges.

1) **The Green Box Domestic Support which are exempted from calculation of AMS.** Domestic supports which are allowed to agriculture under AOA can not be given to natural rubber as it is not an agricultural commodity as per WTO agreement.

2) **Special Safeguard Measures (SSM).** The AOA provides for taking special safeguard measures in the form of additional duty on imports. Under special safeguard measures, injury to domestic production is not required to be proved as in the case of general safeguard action.

3) **Increased Bound Rate.** In the case of agricultural products, the bound rate agreed are 100% for primary agricultural products, 150% for processed products and 300% for edible oils. Whereas the bound rate of natural rubber is only 25%, one of the lowest rates.

It is necessary to compare the bound rate of natural rubber with other plantation crops such as Tea, Coffee, Cardamom and Pepper. Table 6.1. shows the basic import duty, and Bound Rates of various plantation crops.

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>Commodity</th>
<th>Basic Import Duty</th>
<th>Bound Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Tea</td>
<td>35%</td>
<td>150%</td>
</tr>
<tr>
<td>2</td>
<td>Coffee (Green Beans)</td>
<td>35%</td>
<td>100%</td>
</tr>
<tr>
<td>3</td>
<td>Cardamom (Small)</td>
<td>35%</td>
<td>100%</td>
</tr>
<tr>
<td>4</td>
<td>Pepper</td>
<td>35%</td>
<td>100%</td>
</tr>
<tr>
<td>5</td>
<td>Instant Tea</td>
<td>35%</td>
<td>150%</td>
</tr>
<tr>
<td>6</td>
<td>Instant Coffee</td>
<td>35%</td>
<td>150%</td>
</tr>
<tr>
<td>7</td>
<td>Natural Rubber (Latex)</td>
<td>35%</td>
<td>25%</td>
</tr>
<tr>
<td>8</td>
<td>Natural Rubber (Smoked Sheets)</td>
<td>25%</td>
<td>25%</td>
</tr>
</tbody>
</table>

*Source: Damodaran(2000), p.14*
From the above table it is very clear that Bound Rate for all plantation crops is 100% to 150% and the basic import duty fixed is 35%. The high rate of bound rate is given to various plantation crops as they are treated as agricultural commodities. Whereas, natural rubber, even though it is a plantation crop, its Bound Rate is only at 25% and basic import duty is also fixed as 25%. It is a case of total discrimination.

4) **Export Subsidies.** As per the AOA in WTO, India is exempted from reduction commitment of two types of export subsidies given to agricultural commodities. This exemption is granted under the special and differential treatment to developing countries. Subsidies of internal transportation and freight charges on export shipment are excluded from the reduction commitment. Likewise, subsidies to reduce the cost of export marketing of agricultural products is excluded from the reduction commitment. But in India, this benefit can not be enjoyed by natural rubber as it is a non-agricultural commodity. Since there was no export subsidy to NR in the base year 1986-87, the commodity will not get any subsidy for export in future as per the WTO Agreement. Other plantation crops such as pepper, tea, coffee and cardamom will get the above benefit of export subsidies.