

India to respond 'adequately' to US trade action

Solar content requirement norm WTO-compliant: Anand Sharma

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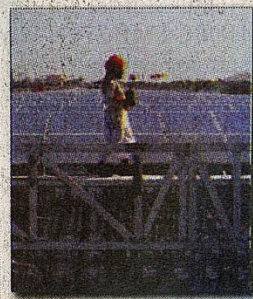
New Delhi

INDIA will respond to any US trade action against the domestic content requirement in its ambitious solar programme. The reaction came on Tuesday, a day after the Obama administration said it was filing its second case at the World Trade Organisation (WTO) over the domestic content requirements in India's massive solar programme.

The US said the domestic content clause came in the way of American manufacturers gaining a bigger foothold in India's fast-growing solar products market. India's position is that the requirement is WTO-compliant.

"India will respond at WTO adequately," commerce and industry minister Anand Sharma told reporters in Mumbai. "We may also have some issues with them (US) with regard to solar. We may also have an application or may move WTO."

(In our frontpage report on Tuesday on the impending USTR action, we had incorrectly surmised that the dispute related to the US' position on Indian generic drugmakers and the Indian government's bias towards copycat Indian



Trade war

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drugs to the detriment of big American pharma companies. As it eventually turned out on Tuesday, the action related to the Indian government's preference for local solar panel manufacturers.)

India, most parts of which get bright sunshine 300 days a year, plans to raise solar power generation to 20,000 mw by 2022.

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Commerce secretary accuses US of practising protectionism

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The US has approached the WTO's dispute resolution mechanism, saying that domestic content condition in phase II of India's solar mission is likely to affect 10,000 jobs in the US.

"We are also very clear that India has to create domestic manufacturing capacities. India must have those capacities. Otherwise, we will end up importing for the rest of our lives," Sharma said, adding that the solar mission also involved heavy subsidies and public money should not be used to pay for imports. "We may also have some issues, even with regard to the solar mission. We may also have an application that we may move to WTO," he said without specifying details.

Domestic solar industry players backed the government stand.

Ajay Goel, CEO of Tata Power Solar, said under the WTO the Indian government is allowed to protect its manufacturing industry where it is based on public good and generation of employment and provisioning for the uplift of the domestic industry. Besides, the domestic content is only about 375 MW of the overall 2,000 MW of solar target planned for the year, which is miniscule.

"It is ironical that the US government is trying to protect just one company through protectionism based on subsidies instead of looking for level playing field. The US itself provides such benefits to domestic manufacturers," he said.

Commerce secretary Rajiv Kher said the US move was no

surprise. "The US already had a consultation with us on the solar domestic content and now they have come in for a second-phase challenge... We will participate in the consultations. Our current policy is WTO-compliant. We will defend it," Kher said.

Kher said many US firms had participated in auctions and succeeded in winning contracts in the solar mission. In February last year the US had challenged India's solar programme and formally requested consultations over the first stage of the mission.

A senior official from Lanco Solar and a member of the Solar Panel Manufacturers Association said India needed to meet its current account deficit and had fewer dollars to spend on imports, which is not necessary.

India and the US are contesting several cases at the WTO, but their bilateral trade has nevertheless surged towards \$65 billion.

Anish Rajagopal, founder director of Chemtrols Solar, a process and solutions provider, said if the government was spending public money on any project either through VGF or by providing subsidies to create employment, it was liable to seek local content for the project. Even under second phase of JNNSM, VGF is only for companies seeking local content.

Commerce secretary Kher accused the US of practising protectionism. "We have clear evidence of, I think, 13 states (in the US) follow restrictive policies... So we are examining their policies."

Referring to other cases, Kher

said that on steel rods, the WTO dispute panel had already taken a tentative decision and a final decision was expected 'very soon.' In April 2012, India registered a complaint with WTO against the imposition of US countervailing duties on certain hot-rolled carbon steel flat products from India.

On the visa issue, he said, "We have problems about their visa and immigration reforms. There is also an immigration reform bill in the works. We have examined the whole issue."

TC Arora, director of Delhi-based Accunergy Power Consultants, said the US government itself provided similar benefits to its manufacturing industry. Besides, the funds from USEXIM are available only if the product is manufactured in the US.

"Then why do they have problems with India offering viability gap funding (VGF) to the industry if 30 per cent content is from local manufacturers? I do not think they have any chance against the Indian government at the WTO. Besides, the Indian government has left it open to bidders' discretion if they want to seek local content, it is not mandatory. The company would lose the VGF to that extent."

Major Biju Balakrishnan, CEO of Gurgaon-based solar firm Defmart, said he failed to understand why the US administration was so perturbed about India's 'made in India' policy.

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(With inputs from Vikas Srivastav in Mumbai and Ritwik Mukherjee in Kolkata)

