

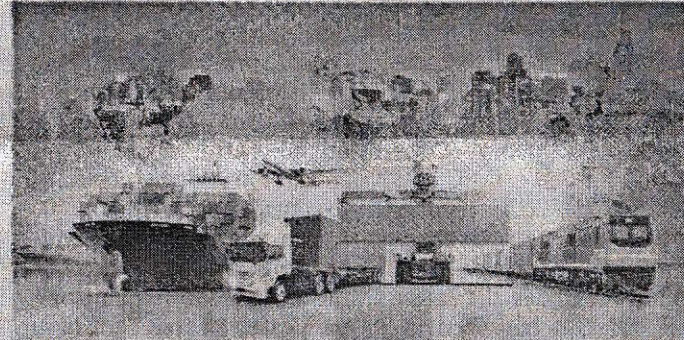
India studying impact of US inflation law on exports

PROTECTING HOME TURF. US rolls out \$400-b package for domestic manufacturers

Amiti Sen
New Delhi

India is evaluating the US green subsidy package, which offers over \$400 billion worth of tax incentives, grants, and loan incentives to domestic manufacturers of green technology products, and examining possible arrangements that could be entered into with Washington to make Indian exports of similar items cheaper and create a level playing field, according to officials.

The green subsidies, being provided under the US Inflation Reduction Act (IRA) signed in August 2022, are expected to benefit local manufacturers in a range of sectors, including clean electricity and transmission, and clean transportation, such as electric vehicles (EVs). "The government has commissioned a study to look at the sectors that stand to benefit in the US un-



COUNTER MEASURE. Last month, the EU announced plans for a Net-Zero Industry Act, which, some experts say, is in response to the US Inflation Reduction Act

der IRA and short-list products where India could seek favourable treatment. Industry bodies are also being consulted by the Commerce Department for their comments and suggestions," an official tracking the matter told *businessline*.

While India has to argue against the favourable treatment for domestic producers under the IRA on the basis of WTO principles, as some subsidies are dependent on the use

of domestic goods and domestic production, bilaterally too it needs to be seen if a compromise can be worked out, the official said.

BILATERAL DISCUSSIONS
"If the US' objective is to control inflation and it is trying to give subsidies to make certain domestically manufactured items cheaper, then the same logic should apply for imports. Inflation reduction should go

both ways. How that can be done needs to be worked out. We have already started some discussions bilaterally, but we will firm up our arguments and negotiate once the implications of the IRA are more clear in terms of product coverage," the official said. The EU was one of the first WTO members to raise concerns about the IRA and its impact on competitors from the EU in the subsidised sectors, including automobiles. It is also in bilateral talks with the US on the matter.

Last month, the EU announced its intention to put forward a new Net-Zero Industry Act, which some experts say is in response to the IRA. "The aim will be to focus investment on strategic projects along the entire supply chain. We will especially look at how to simplify and fast-track permitting for new clean tech production sites," according to European Commission President, Ursula von der Leyen.