

## 2. India Not Obligated to implement WTO's Dispute Panel

### Recommendations

**Prelims Syllabus:** Economics

**Mains Syllabus:** GS-III Effects of liberalization on the economy, changes in industrial policy and their effects on industrial growth.

### Why in News?

- As per the reply of Commerce and Industry Minister in Lok Sabha, India is under no obligation to implement the recommendations of the WTO's dispute panel on its export promotion schemes.

### What is the Issue?

- A dispute settlement panel of World Trade Organization (WTO) in its report issued to members on 31 October 2019 has ruled that India's export-related schemes (including SEZ scheme) are in the nature of prohibited subsidies under the Agreement on Subsidies and Countervailing Measures and are inconsistent with WTO norms.
- The panel had given a time-frame of 180 days for withdrawal of Special Economic Zone (SEZ) scheme.
- India had appealed at the WTO's appellate body against this ruling.
- But due to non-functioning of appellate body (of the WTO's dispute settle mechanism), the appeal has been kept in suspension.
- Till the appeal is disposed of, India is under no obligation to implement the recommendations of panel.

### WTO's Dispute Settlement Mechanism:

- The Appellate Body of the World Trade Organization set up in 1995, is a standing body of 7 persons that hears appeals from reports issued by panels in disputes brought on by WTO members.
- A dispute arises when a member government believes another member government is violating an agreement or a commitment that it has made in the WTO.

### WTO Dispute Settlement Mechanism

- Introduced into the multilateral trading system in the Uruguay Round (1994)
- Formal framework for settling disputes between WTO Member States
- Guidance on TRIPS interpretation
- Priority: amicable settlement through consultations
- Stages of procedure:
  - 60 days: Consultations, mediation
  - 45 days: Panel set up and 3 (possibly 5) panelists appointed by Dispute Settlement Body (DSB), following consultations with parties
  - 6 months: Final panel report to parties
  - 3 weeks: Final panel report to WTO members
  - 60 days: DSB adopts report (if no appeal)
  - Total: 1 year (without appeal)**
  - 60-90 days: Appeals report
  - 30 days: Dispute Settlement Body adopts appeals report
  - Total = 1y 3m (with appeal)**

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- By joining the WTO, member countries have agreed that if they believe fellow members are in violation of trade rules, they will use the multilateral system of settling disputes instead of taking action unilaterally.

**Current Scenario:**

- The dispute settlement mechanism requires at least three members to function.
- The United States has blocked the appointments of new members and the reappointments of members who had completed their four-year tenures, the membership of the body has decreased to three persons (instead of the required seven).
- The US believes the WTO is biased against it, and has criticized it for being unfair.
- In 2019, several developing countries met in India to discuss ways to prevent the WTO's dispute resolution system from collapsing all together.
- India is involved in 15 trade disputes, mostly against the US, at the WTO at Present.

