



## Mains Practice Question

Q. What have been the recent issue related to dispute settlement at WTO? Have the policies at WTO worked against the interest of emerging economies like India?

07 Jun, 2019 GS Paper 3 Economy

### Approach

- Write in brief regarding dispute settlement at WTO.
- Enlist the issues related to crisis at dispute settlement system at the WTO.
- Give arguments to show policies at WTO worked against the interest of emerging economies like India.
- Give conclusion.

### Introduction

- The World Trade Organization's (WTO's) dispute settlement mechanism is going through a crisis. The body is struggling to appoint new members to its understaffed Appellate Body that hears appeals in trade.
- The body has so far been unable to review at least 10 appeals that have been filed since July 2018. In February 2019, the body said it would be unable to submit an appeal in a dispute between Japan and India over certain safeguard measures that India had imposed on imports of iron and steel products.

### Body

#### Reasons for delays and other issues at WTO

- **Non appointment of members:** Over the last two years, the membership of the body has dwindled to just three persons instead of the required seven. United States, which believes the WTO is biased against it, has been blocking appointments of new members and reappointments of some members who have completed their four-year tenures. Two members will complete their tenures in December this year, leaving the body with just one member.
- **Possible loss of minimum strength for deciding appeal:** WTO disputes settlement rules provides for at least three persons to preside over an appeal, and if new members are not appointed to replace the two retiring ones, the body will cease to be relevant. Between 1995 and 2014, around 68% of the 201 panel reports adopted were appealed.
- **Politicization of Appellate body:** WTO members have expressed concerns over the politicisation of the Appellate Body appointment and reappointment process.

#### WTO's against the interest of emerging economies like India

- **Domination of developed nation:** WTO is increasingly toothless and is succumbing to the pressure of the developed countries. In the past, there was a sympathetic treatment towards developing countries like India, which got special and differential treatment at the WTO which gave them more time and leeway to comply with the WTO rules, but now the US has begun to question this special treatment because countries like India.

- **Intellectual property policies:** WTO pressurize developing countries to change laws related to intellectual property rights, main impact of this is on industries such as pharma and bio-technology .
- **Restrict Welfare policies:** Many countries have filed complaints in WTO against various welfare and subsidy programs run by government of India. India had approved a Rs 5,538-crore package for the sugar industry which is being challenged by Australia. Australia argues its sugar industry should be able to compete on equal terms with domestic Indian industry.
- **Attack multilateralism:** WTO in recent times has constituted plurilateral arrangement to discuss e-commerce policy which attacks multilateral spirit of WTO. This is done to force developing countries like India to cede policy space in sunrise sectors.

## Conclusion

- WTO is critical institution for global trade; however in absence of reforms developing countries are not able to exert influence to safeguard their interest, thus there is need for governance reforms at WTO.
- Further, WTO negotiations remain inconclusive leading to emergence of Regional Free Trade Agreement as well as unilateral tariffs imposed by USA and China causing global trade war. This crisis need to be resolved quickly to promote rule based global free trade.

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