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# WTO

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**Why is in news?** Union Commerce and Industry Minister Shri Piyush Goyal highlights resolution of six outstanding WTO disputes between US and India through mutually agreed solutions

The Union Minister of Commerce and Industry has highlighted the **resolution of six outstanding World Trade Organisation (WTO) disputes between US and India** through mutually agreed solutions as jointly communicated by the Prime Minister of India and President of the United States of America during the official state visit of the Prime Minister to the USA.

**Three of the six disputes have been filed by India against the USA** namely, Countervailing Measures on Certain Hot-Rolled Carbon Steel Flat Products from India (DS436); Certain Measures Relating to the Renewable Energy Sector (DS510); and Certain Measures on Steel and Aluminum Products (DS547).

While the other three disputes, which have been **filed by the USA against India** are: Certain Measures Relating to Solar Cells and Solar Modules (DS456); Export Related Measures (DS541), and Additional Duties on Certain Products from the United States (DS585).

India and the US have actively engaged in discussions during the last two years to terminate these six outstanding disputes at the WTO.

These disputes have been filed by India and the US over a decade, **representing certain key sectors of the economy** such as steel, aluminium, renewable energy, solar products, and certain key export-related measures.

As a part of the agreement, the **US has agreed to grant market access to steel and aluminium products** under the exclusion process of Section 232 of the Trade Expansion Act 1962. India has **agreed to remove the additional duty, i.e., retaliatory tariffs** on certain products. However, the prevailing basic import duty on these products applicable to all imports will continue.

This market access will restore opportunities for Indian steel and aluminium exporters, which were restricted since 14th June 2018 because of the US 232 measures under which additional duties of 25% and 10% were levied on steel and aluminium products respectively.

As part of the market access, going forward, the US Department of Commerce will clear 70% of steel and 80% of aluminium applications for products originating in India. These applications will be made under the exclusion process of Sec. 232 by the importers on behalf of the exporters. It would provide significant impetus to raise India's Steel and Aluminium exports by about 35%

## **WTO & its dispute settlement mechanism:**

The World Trade Organization (WTO) is an **intergovernmental organization** that regulates and facilitates international trade.

With effective cooperation in the United Nations System, governments use the organization to establish, revise, and enforce the rules that govern international trade.

**Kamaraj IAS Academy**

Plot A P.127, AF block, 6 th street, 11th Main Rd, Shanthi Colony, Anna Nagar, Chennai, Tamil Nadu 600040

Phone: **044 4353 9988 / 98403 94477 / Whatsapp : 09710729833**

It officially commenced operations on 1 January 1995, pursuant to the **1994 Marrakesh Agreement**, thus **replacing the General Agreement on Tariffs and Trade (GATT)** that had been established in 1948.

The WTO is the **world's largest international economic organization**, with 164 member states representing over 98% of global trade and global GDP.

The WTO facilitates trade in goods, services and intellectual property among participating countries by providing a framework for negotiating trade agreements, which usually aim to reduce or eliminate tariffs, quotas, and other restrictions; these agreements are signed by representatives of member governments and ratified by their legislatures.

The WTO also administers independent dispute resolution for enforcing participants' adherence to trade agreements and resolving trade-related disputes.

The **organization prohibits discrimination between trading partners**, but provides exceptions for environmental protection, national security, and other important goals.

The WTO is headquartered in **Geneva, Switzerland**.

One of the key objectives was also to **address the grievances between its members** by acting as a court for global trade.

Its **top decision-making body is the Ministerial Conference**, which is composed of all member states and usually convenes biennially; consensus is emphasized in all decisions.

There are **two main ways to settle a dispute** once a complaint has been filed in the WTO:

- (i) the **parties find a mutually agreed solution**, particularly during the phase of bilateral consultations.
- (ii) **through adjudication**, including the subsequent implementation of the panel and Appellate Body reports, which are binding upon the parties once adopted by the Dispute Settlement Body.

### **Dispute Settlement Body:**

The General Council convenes as the Dispute Settlement Body (DSB) to deal with disputes between WTO members.

Such disputes may arise **with respect to any agreement contained in the Final Act of the Uruguay Round** that is subject to the Understanding on Rules and Procedures Governing the Settlement of Disputes (DSU).

The DSB has authority to:

establish dispute settlement panels,

refer matters to arbitration,

adopt panel, Appellate Body and arbitration reports,

maintain surveillance over the implementation of recommendations and rulings contained in such reports,

and authorize suspension of concessions in the event of non-compliance with those recommendations and rulings.

### **Appellate Body:**

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The **Appellate Body, set up in 1995**, is a standing **committee of seven members** with a **limited four-year term** that presides over appeals against judgments passed in trade-related disputes brought by WTO members.

Disputes arise when a member country observes that **another member government is breaching a commitment, or a trade agreement made at the WTO**.

Countries involved in a dispute over measures purported to break a WTO agreement or obligation can approach the Appellate Body if they feel the report of the panel set up to examine the issue needs to be reviewed on points of law.

However, existing evidence is not re-examined but legal interpretations are reviewed.

The Appellate Body can uphold, modify, or reverse the legal findings of the panel that heard the dispute. Countries on either or both sides of the dispute can appeal.

### **Special and Differential Treatment:**

The WTO Agreements include provisions that grant special rights to developing nations. These provisions are referred to as “special and differential treatment” provisions.

At the **4th WTO Ministerial Conference in Doha**, the Ministers designated the Committee on Trade and Development to review these special and differential treatment provisions.

The special provisions consist of:

extending the time frames for implementing commitments and agreements,

enhancing the trading prospects for developing nations

all WTO members to protect developing nations’ trade interests,

assistance in helping developing nations to enhance their capacity to conduct WTO operations, resolve conflicts, and adopt technical standards,

clauses pertaining to Members from least developed countries (LDCs).

### **Some recent issues of India – WTO:**

**Ban of Chinese Mobile Apps** - According to China, India’s move to continue with a ban imposed last year on 59 Chinese apps is in violation of the principles of the World Trade Organisation and norms of market economy.

**Issues related to the Peace Clause** - Under the Peace Clause, WTO members refrain from challenging any breach in prescribed subsidy ceiling given by a developing nation at the dispute settlement forum of the Geneva-based organisation.

**Fisheries subsidies** - Recently, India has rejected the latest draft for an agreement to lower fisheries subsidy at the World Trade Organization (WTO), arguing that it did not take on board the suggestions to make the regime equitable and was biased in favour of countries such as Norway, China and Japan, which were exploiting international waters.