WTO Arbitration

Why in news?

Recently, India has sought arbitration proceedings under the WTO rules against Australia to resolve an issue with regard to services sector as it could impact India's trade in services.

World Trade Organization
• WTO is the only international organization that deals with the rules of trade between countries. • **Establishment**- It was created in 1995 superseding the 1947 General Agreement on Tariffs and Trade (GATT). • **Marrakesh Agreement**- WTO officially commenced under the Marrakesh Agreement, replacing the General Agreement on Tariffs and Trade (GATT). • **Creation**- It was created by Uruguay round of negotiations and established in 1995. • **Members-** The WTO is run by its 164 members representing 98% of world trade. • **Decision making-** Unlike other organisations, such as the IMF or World Bank, WTO does not delegate power to a board of directors or an organizational chief. • All decisions are taken through consensus and any member can exercise a veto. • **General Council-** It is the top day-to-day decision-making body that has representatives from all member governments and also meets, under different rules, as the Dispute Settlement Body.

What is the issue?

- **WTO disputes-** It can be resolved through the arbitration process.
- **Disagreement-** It is about changes Australia is making to its promises that might affect India's trade in services.
- The changes Australia made were to its promises under an agreement that is part of the WTO system and *aims to lower trade costs around the world.*
- The changes include *standards for licenses and qualifications* that are meant to lessen the effects of trade barriers.
- India as an affected member has stated that Australia's intended modification of its specific commitments does not satisfy certain conditions.
- Thereafter, India and Australia entered negotiations with a view to reaching an agreement.
- Despite extended negotiations India and Australia failed to reach an agreement leading India to request arbitration.

What are the recent obligations made under GATS?

- **Abu Dhabi meet**-Recently, Over 70 WTO nations agree to take additional obligations under the General Agreement on Goods in Services (GATS) to ease non-goods trade among themselves and extend similar concessions to all other members of the WTO.

General Agreement on Trade in Services is a WTO agreement that came into force in 1995, India is a member of GATS

- **Aim-** To reduce trade barriers related to licensing requirements, qualification procedures, and technical standards.
- **Market access-** Reducing trade barriers will benefit Indian professional companies which will now have equal opportunity to access markets in these **70 countries**, if they meet the standards.
- **Global effect**-It will help reduce services trade costs by *10 % for lower-middle* income economies and *14% for upper-middle* income economies, with overall savings of USD 127 billion.
- **Impact on India-** The main point of disagreement is how these changes are seen to affect Indian service providers, especially their ability to enter Australian markets equally as agreed upon in the agreement.
- **India's stand**- As a WTO member, India wants to make sure that these promises are carried out in a way that *benefits all members fairly.*

How WTO handles disputes?

- **WTO Dispute Settlement Framework-** The WTO's Understanding on Dispute Settlement provides a legal framework for resolving trade disputes among member countries.
- **Key participants-** For WTO members, the ***United States, the European Union, and China*** are the ones that get into the most disagreements.

Since the WTO started in 1995, more than 500 disputes have been made.

- **Dispute Settlement Body-** It handles disputes within the WTO, retaliatory measures can be taken against member countries which don't follow the body's decisions.
- **Procedure-** The process for settling disagreements is meant to be thorough and fair, and it usually takes **15 months** to make a decision.
- **Addressing non-trade concerns-** Even though the WTO's main job is to handle trade problems, many of its disputes also involve non-trade issues like p*rotecting the environment and people's health*.
- **Complexity**- These cases make the dispute settlement process more difficult because the DSB has to find a **balance between trade rules and the effects on society** as a whole.
- **Arbitration-** It is often used to determine the level of compensation or the scope of retaliatory measures if a member country fails to comply with the rulings of a WTO panel or the Appellate Body.
- **Specific disputes**- Arbitration can also be invoked in specific disputes where the parties have agreed to arbitration as the preferred method of dispute resolution.

References

1. Business Standard- India seeks WTO arbitration
2. ORF- WTO crisis

