WTO Challenges before India

Why in news?

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WTO dispute settlement panel has ruled against India in its disagreement with Japan over import duties on hot-rolled steel.

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What is the role of WTO in trade?

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- The World Trade Organization came into being in 1995, it is the successor to the General Agreement on Tariffs and Trade (GATT).
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- The World Trade Organization (WTO) is the only international organization dealing with the global rules of trade between nations, the HQ is located in Geneva.
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- Its main function is to ensure that trade flows as smoothly, predictably and freely as possible.
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- Virtually all decisions in the WTO are taken by consensus among all member countries and they are ratified by members' parliaments.
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- Trade friction is channeled into the WTO's dispute settlement process where the focus is on interpreting agreements and commitments.
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What is the recent case on import duties all about?

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- In the last financial year, Indian imports of steel from Japan and South Korea were 45 per cent of the total steel imports of 8.4 million tones and the total value of steel imports was $6.5 billion.

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- India has sought to protect the domestic steel industry consistently over the past three years, following a plea by domestic producers to the government.
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- A three-member dispute settlement panel at the World Trade Organization (WTO) has ruled against India in its disagreement with Japan over import duties on hot-rolled steel.
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- India has failed to substantiate that a sudden and sustained increase in imports had significantly harmed domestic producers.
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What are the WTO challenges before India?

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- India’s turn towards protectionist trade policy over the past years has not gone unnoticed at the WTO and a pattern is beginning to be visible when it comes to India at the WTO.
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- A sharp protectionist action is taken and, subsequently, India fails to back it up at the WTO with suitable arguments.
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- This might well happen next with its hard stand on agricultural procurement, where India is defending its complex web of minimum support prices at the WTO amid international isolation and even opprobrium.
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- In one landmark ruling earlier this year, a WTO panel ruled that “domestic content requirements” in India’s solar panels breached trading rules.
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- These requirements were scaled up as part of India’s effort to indigenize the manufacturing of solar panels amid a scale-up of renewable energy generation capacity.
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- The decision itself was contested within the government; the ministry of new and renewable energy argued that cheaper solar panels were essential to India’s solar mission, while the department of industrial policy and promotion wanted to push Indian solar panel manufacturing.
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What is the way forward?

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- Union government in this regard either need to stops trying to erect barriers that disadvantage Indian consumers in the name of domestic protection.
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- Or it creates sufficient capacity that ensures it is able to win enough of the disputes that such barriers will cause.
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- Thus a larger debate is needed on the nature and orientation of India’s protectionist turn, which harms consumer welfare and causes international embarrassments of this sort.
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Source: Business Standard

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