



India Appeals at WTO

For Prelims: WTO, Sugarcane, WTO's Agreement on Subsidies and Countervailing Measures, WTO's Agreement on Agriculture, General Agreement on Trade and Tariffs (GATT).

For mains: WTO and its role, Issue of sugar subsidy in WTO, Significance of subsidy in sugar industry.

Why in News

Recently, India has appealed against a ruling of the [World Trade Organisation's \(WTO\)](#) trade dispute settlement panel which ruled that the country's domestic support measures for [sugar and sugarcane](#) are inconsistent with global trade norms.

- Earlier, [China got the 'developing country' status at the WTO](#) which became a contentious issue with a number of countries raising concerns against the decision.

Key Points

- **India's Appeal:**
 - The appeal was filed by India in the **WTO's Appellate Body**, which is the final authority on such trade disputes.
 - India has **appealed and requested the body to "reverse, modify, or declare moot and of no legal effect, the findings, conclusions, rulings and recommendations of the Panel"**, with respect to certain "errors of law or legal interpretation contained in the panel report.
 - India has **sought review of the panel's finding that the scheme for providing assistance to sugar mills** for expenses on marketing costs, including handling, upgrading and other processing costs and costs of international and internal transport and freight charges on the export of sugar for the 2019-20 sugar season (Maximum Admissible Export Quantity (MAEQ) Scheme), is within its terms of reference.
- **Complaint Against India:**
 - **Australia, Brazil, and Guatemala** said **India's domestic support and export subsidy measures appeared to be inconsistent** with various articles of the [WTO's Agreement on Agriculture](#) and the [Agreement on Subsidies and Countervailing Measures \(SCM\)](#), and Article XVI (which concerns subsidies) of the [General Agreement on Trade and Tariffs \(GATT\)](#).
 - All three countries complained that **India provides domestic support to sugarcane producers that exceeds the de minimis level** of 10% of the total value of sugarcane production, which they said was inconsistent with the Agreement on Agriculture.
 - They also raised the issue of **India's alleged export subsidies**, subsidies under the production assistance and buffer stock schemes, and the marketing and transportation scheme.
 - Australia **accused India of "failing" to notify its annual domestic support for sugarcane and sugar subsequent to 1995-96**, and its export subsidies since 2009-10, which it said were inconsistent with the provisions of the SCM Agreement.

- A **panel was set up by the Dispute Settlement Body (DSB)** of the WTO to look into the case and come up with its report.

WTO's Agreement on Subsidies and Countervailing Measures

- The WTO Agreement on SCM **disciplines the use of subsidies, and it regulates the actions countries can take** to counter the effects of subsidies.
- Under the agreement, **a country can use the WTO's dispute-settlement procedure to seek the withdrawal of the subsidy or the removal of its adverse effects.** Or the country can launch its own investigation and ultimately charge extra duty ("countervailing duty") on subsidised imports that are found to be hurting domestic producers.

WTO's Agreement on Agriculture

- It is **aimed to remove trade barriers and to promote transparent market access** and integration of global markets.
- The **WTO's Agriculture Committee oversees implementation of the Agreement** and provides a forum for members to address related concerns.

General Agreement on Tariffs and Trade

- GATT traces **its origins to the 1944 Bretton Woods Conference**, which laid the foundations for the post-World War II financial system and established two key institutions, the [International Monetary Fund \(IMF\)](#) and the [World Bank](#).
- GATT **signed by 23 countries in Geneva in 1947** came into force on Jan 1, 1948 with the following purposes:
 - to phase out the use of import quotas
 - to reduce tariffs on merchandise trade,
- GATT became the **only multilateral instrument governing international trade** from 1948 until the WTO was established in 1995.
 - The provisions of GATT 1947 were incorporated into the GATT of 1994. The GATT 1994 is itself part of the WTO formation agreement.
 - The Uruguay Round of GATT, conducted from 1987 to 1994 culminated in the Marrakesh agreement, which established the WTO.
- **India's Stand:**
 - India said that the **"complainants have failed** to meet their burden of showing" that India's market price support for sugarcane, and its various schemes violate the Agreement on Agriculture.
 - It also argued that **"the requirements of Article 3 of the SCM Agreement are not yet applicable to India** and that India has a phase-out period of 8 years to eliminate export subsidies, if any, pursuant to Article 27 of the SCM Agreement.
- **Panels Findings:**
 - The dispute settlement panel has found India's domestic support and export subsidy measures in the sugar sector to be in **violation of international trade rules.**
 - It found that for **five consecutive sugar seasons from 2014-15 to 2018-19, India provided non-exempt product-specific domestic support** to sugarcane producers in excess of the permitted level of 10% of the total value of sugarcane production.
 - India argued that its **"mandatory minimum prices are not paid by the central or state governments but by sugar mills,** and hence do not constitute market price support", the panel rejected this argument — saying "market price support does not require governments to purchase or procure the relevant agricultural product".
- **Panels Recommendation:**
 - India brings its **WTO-inconsistent measures into conformity** with its obligations under the Agreement on Agriculture and the SCM Agreement.
 - India should **withdraw its alleged prohibited subsidies** under the Production Assistance, Buffer Stock, and Marketing and Transportation Schemes within 120 days.

Dispute Redressal at WTO

- According to WTO rules, a **WTO member or members can file a case in the Geneva-based multilateral body** if they feel that a particular trade measure is against the norms of the WTO.
- **Bilateral consultation is the first step to resolve a dispute.** If both the sides are not able to resolve the matter through consultation, either can approach for the establishment of a dispute settlement panel.
- The panel's ruling or report can be challenged at the **WTO's Appellate Body.**
 - Interestingly, **the appellate body of the WTO is not functioning because of differences among member countries** to appoint members in this body. Over 20 disputes are already pending with the appellate body. The **US has been blocking the appointment of the members.**

[Source: BS](#)

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