Dispute Panels Against India: WTO

Why in News

Recently, the **Dispute Settlement Body** (DSB) of the **World Trade Organisation** (WTO) has set up **two dispute settlement panels** targeting import duties imposed by India on a number of **Information and Communication Technology (ICT) products** including mobile phones.

- It was done on the **request of Japan and Taiwan,** taking up the number of panels constituted to examine the same tariff-related issue to three.
- In **June 2020**, the European Union (EU) had a panel established against India on the same issue.

Key Points

- The panels would determine whether **India's customs duties on imports of certain ICT products infringe the WTO's norms or not.**
- The panels have been set up to decide on **20% customs duty levied by India** on mobile phones and some other ICT products.
    - India decided to levy **10% customs duty** on these products for the first time in July 2017 which was **increased to 15% in the same year.**
    - These custom duties were **further increased to 20%** despite opposition from a number of WTO members.
    - The EU, USA, China, Singapore, Taiwan, Canada, Japan and Thailand initiated consultations with India on the matter claiming that the move substantially affects them.
- The **goods covered in the complaint** include telephones for cellular networks or for other wireless networks; base stations; machines for the reception, conversion and transmission or regeneration of voice, images or other data, etc.
- **Complainants' Arguments:**
    - Japan and Taiwan said that their **failed consultations with India prompted** them to submit the requests for panels.
    - Japan, Taiwan and the EU have argued that **these products fall within the scope of the relevant tariff lines** for which India has set the **bound rate of 0% for its WTO schedule of commitments.**
        - **Bound Rates** are the **legally bound commitments on customs duty rates,** which **act as ceilings** on the tariffs that member governments can set.
            - **Once a rate of duty is bound, it may not be raised without compensating** the affected parties
    - They held that India is applying tariffs on ITC goods falling under five **tariff lines** in excess of the 0% bound rate and that for some products, the applied tariff rate was **as high as 20% some times.**
        - **Tariff Line** refers to the classification codes of goods, applied by individual countries, that are longer than the 6-digit level of the **Harmonized System** (HS).

- HS is a **system of code numbers for identifying products.** The codes are **standard up to six digits.** Beyond that countries can introduce national distinctions for tariffs and many other purposes.

- **India's Stand:**
    - India managed to **block Japan's first request** for a panel on the grounds that the complaint **undermined India's sovereignty.**
    - India also **rejected the EU's suggestion of agreeing to one consolidated panel** combining complaints from all three of them and saving time and resources.
    - India argued that all **three complainants are seeking to get the country to take on commitments under the Information Technology Agreement-II (ITA-II) which it never agreed to.**

Information Technology Agreement

- It is a **plurilateral agreement** enforced by the WTO and concluded by **29 participants** in the **Ministerial Declaration on Trade in Information Technology Products at Singapore in 1996.**
- It entered into force on **1st July 1997.**
- It seeks to **accelerate and deepen the reduction of trade barriers** for the critically important ICT industry.
- Currently, the number of participants has grown to 82, representing about 97% of world trade in IT products.
- **India is a signatory.**

Information Technology Agreement-II

- Few developed countries **proposed to broaden the scope and coverage of the ITA.**
- At the **Nairobi Ministerial Conference in December 2015,** over 50 members concluded the **expansion of the Agreement,** which now covers an additional 201 products valued at over USD 1.3 trillion per year.
- Its **aim** was to **increase the coverage of IT products** on which customs duty would be bound at zero, **addressing non-tariff measures and expanding the number of signatory countries** to include countries such as Argentina, Brazil and South Africa.
- **India has decided not to participate** in this for the time being because India's experience with the ITA-I has been most discouraging, which almost wiped out the IT industry from India.
    - The **real gainer** from that agreement has been **China which raised its global market share from 2% to 14% between 2000-2011.** China is a **significant exporter of ICT goods.**

Source: BL