



## India's Stand on ISDS

### Why in news?

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India and some other countries have rejected an informal proposal made by the EU and Canada to work towards a multilateral pact on investments at the World Trade Organisation that would have an Investor-State Dispute Settlement (ISDS) mechanism built into it.

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### What new proposal has been made?

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- The EU and Canada have got into an investment agreement in which they have got the much contentious ISDS which allows corporates to take sovereign governments to international arbitration.
- They now want it to be the template for a multilateral agreement.
- **Investor-state dispute settlement (ISDS) or investment court system (ICS)** is a system through which individual companies can sue countries for alleged discriminatory practices.
- ISDS is a neutral, international arbitration procedure. Like other forms of commercial, labour, or judicial arbitration, ISDS seeks to provide an impartial, law-based approach to resolve conflicts.
- The proposal for a global investment pact, made at an informal breakfast meeting of Trade Ministers of select countries in Davos last week, was **rejected by India, Brazil, Japan and Argentina.**

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## What is the need for ISDS?

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- To resolve investment conflicts without creating state-to-state conflict

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- To protect citizens abroad

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- To signal to potential investors that the rule of law will be respected

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## Why India rejects?

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- It is only after all options for settling disputes between a sovereign government and a corporate in domestic courts have been exhausted do we want to allow the issue to be taken up in international courts.

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- It should be part of a bilateral agreement and not a multilateral agreement.

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- The EU, in a bilateral meeting with India, also indicated that it would hold free trade talks with India only after concluding a new **bilateral investment treaty (BIT)** with India.

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- Last year, New Delhi had asked all countries with which India has investment protection agreements, including the EU, to re-negotiate those pacts on the basis of the new draft text of BIT.

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- EU did not do so and the existing BITs with existing members are set to

lapse in April.

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**Source: Business Line**

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