

WTO AND INDIA

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ABSTRACT

WTO is an organisation which regulates international trade. Its objective is to promote multilateral trade in goods and services by eliminating tariff and non tariff barriers. WTO imposes certain agreements on its member nations such as trade in agriculture ,trade related intellectual property rights ,trade related invest measures ,anti dumping, trade in agriculture ,trade in textile etc. India is the one of the founder member of WTO. India has most of its foreign trade with those countries that are member of WTO .There are both positive and negative impact of WTO on India Positive impacts include increase in export such as agriculture export, textile export and growth in services ,growth in foreign investment etc. Negatives impacts includes impact on pharmaceutical sector and agriculture sector ,foreign investment etc. But India cannot remain cutoff from large part of world by not becoming member of WTO. India should try to make advantage of WTO agreement and continue its member.

Keywords- WTO, agreement , trade , investment

Meaning

WTO is an international trade organisation having set of rules and principals, mutually designed and agreed upon to promote international trade in general and reduction of tariff barriers and removal of import restrictions in particular. It is a new world trade order or system. The WTO officially commenced on 1 January 1995 under the Marrakech Agreement, signed by 123 nations on 15 April 1994, replacing the General Agreement on Tariffs and Trade (GATT), which commenced in 1948. In May 2014 its membership increased to 159 nations. India is one of the founder members of WTO. The WTO deals with regulation of trade between participating countries by providing a framework for negotiating trade agreements and a dispute resolution process aimed at enforcing participants' adherence to WTO agreements, which are signed by representatives of member governments.

WTO History

The WTO's origins began with trade negotiations after World War II. In 1948, the General Agreement on Tariffs and Trade (GATT) focused on reducing tariffs, anti-dumping and non-tariff measures. From 1986 - 1994 the Uruguay round of negotiations led to the formal creation of the WTO.

In 1997, the WTO brokered agreements promoting trade in telecommunications services among 69 countries. It also removed tariffs on information technology products between 40 members, and improved trade of banking, insurance, securities and financial information between 70 countries.

The Doha round began in 2000 focusing on improving trade in agriculture and services. It expanded to include development of emerging market countries at the fourth WTO Ministerial Conference in Doha, Qatar, in November 2001. Unfortunately, the Doha talks collapsed in Cancun, Mexico, in 2003. A second attempt also failed in 2008 at Geneva, Switzerland. The latest (ninth) ministerial meet of WTO was held in Bali (Indonesia) in December 2013. This meet was attended by 159 member nations. The main theme of this meet was promoting multilateral trade, boosting development in least developed countries and ensuring food security.

PRINCIPAL OBJECTIVES OF WTO

Trade Without Discrimination:- Trade without discrimination through the application of Most Favoured Nation (MFN) Principle. As per MFN clause, a member nation of WTO must accord (give) the same preferential treatment to other member nations which it gives to any other member nation.

Raising The Standard Of Living:-Raising the standard of living and incomes and ensuring full employment of the citizens of its member nations.

Optimum Use Of World's Resources :- Ensuring optimum use of world's resources and, thereby, expanding world production and trade of goods as well as services.

Settlement Of Disputes:-Settlement of disputes among members through consultation, conciliation, and as a last resort through dispute settlement procedures.

Growth Of Less Developed Countries (LDCs) :-It recognizes the need for positive efforts designed to ensure that developing countries especially the LDCs, secure a better share of growth in international trade.

Protection Of Environmen:- Preserving and protecting the environment of the world so as to benefit all the nations of the world.

Enlargement Of Production And Trade:-WTO aims to enlarge production and trade of goods as well as services.

FUNCTIONS OF WTO

WTO has following functions

- **Implementation Of Reduction In Trade Barriers** WTO shall check the implementation of tariff cuts and reduction of non-tariff measures agreed upon the member nations at the conclusion of Uruguay Round.
- **Forum For Negotiation** WTO shall provide the forum of negotiations among its members concerning their multilateral trade relations.
- **Settlement Of Disputes** WTO shall administer the understanding on rules and procedures governing the settlement of disputes.
- **Assistance To IMF And IBRD** WTO shall co-operate with IMF, IBRD and its affiliated agencies to achieve greater coherence in global economic policy.
- **Administration Of Agreements** WTO shall look after the administration of 29 agreements (signed at the conclusion of Uruguay Round in 1994), plus a number of other agreements, entered into after Uruguay Round.
- **Examination Of Trade Policies** WTO shall regularly examine the foreign trade policies of member nations, to see that such policies are in line with WTO's guidelines.

WORLD TRADE ORGANISATION – SOME AGREEMENTS

Multilateral Agreement on Trade in Goods

General Agreement on Tariffs and Trade 1994 (GATT 1994)

The General Agreement consists of: (i) the provisions of GATT 1947 (including those amended by the terms of legal instruments that have taken effect before the entry into force of the WTO Agreement); (ii) legal instruments, such as protocols and certifications relating to tariff concessions, protocols of accession, etc., that have taken effect under the GATT 1947 before the entry into force of the WTO Agreement; and (iii) the six understandings that are deemed to be an integral part of the GATT 1994.

Agreement on Agriculture

The Agreement on Agriculture includes specific and binding commitments made by WTO Member governments in the three areas of market access, domestic support and export subsidization for strengthening GATT disciplines and improving agricultural trade. These commitments were implemented over a six-year period.

Agreement on the Application of Sanitary and Phytosanitary (SPS) Measures

This agreement establishes multilateral frameworks for the planning, adoption and implementation of sanitary and phytosanitary measures to prevent such measures from being used for arbitrary or unjustifiable discrimination or for camouflaged restraint on international trade and to minimize their adverse effects on trade .

Agreement on Textiles and Clothing

Textile trade was governed by the Multi-Fiber Arrangement (MFA) since 1974. However, the GATT principles had been undermined by import protection policies, etc. The agreement provides that textile trade should be deregulated by gradually integrating it into GATT disciplines over a 10-year transition period, which expired at the end of 2004 .

Agreement on Technical Barriers to Trade (TBT)

Standards and conformity assessment systems, such as industrial standards and safety/environs ent regulations, may become trade barriers if they are excessive or abused. This agreement aims to prevent such systems from becoming unnecessary trade barriers by securing their transparency and harmonization with international standards .

Agreement on Trade-Related Investment Measures (TRIMs)

In relation to cross-border investment, countries receiving foreign investment may take various measures, including imposing requirements, conditions and restrictions (investment measures) on investing corporations. In the Uruguay Round, negotiations were initially conducted with an eye toward expanding disciplines governing investment measures.

However, the Agreement on Trade-Related Measures, which was the result of the negotiations, banned only those investment measures inconsistent with the provisions of Article III (principle of national treatment) and Article XI (general elimination of quantitative restrictions) which have direct adverse effects on trade in goods. As examples, the Agreement cited local content requirements (which require that certain components be domestically manufactured) and trade balancing requirements.

Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994 (Anti-Dumping Agreement)

This agreement aims to tighten and codify disciplines for calculating dumping margins and conducting dumping investigations, etc. in order to prevent anti-dumping measures from being abused or misused to protect domestic

Agreement on Implementation of Article VII of the General Agreement on Tariffs and Trade 1994 (Customs Valuation Agreement)

In order to implement GATT Article VII (customs valuation) in a more consistent and reliable manner, this agreement specifies rules for the application of the article and aims to harmonize customs valuation systems on an international basis by eliminating arbitrary valuation systems .

Agreement on Pre-shipment Inspection (PSI)

This agreement aims to secure transparency of PSI and to provide a mechanism for the solution of disputes between PSI agencies and exporters.

Note: Pre-shipment Inspection is a system under which a pre-shipment inspection company designated by the importing country (mostly developing countries) conducts inspection of the quality, volume, price, tariff classification, customs valuation, etc. of merchandise in the territory of the exporting country on behalf of the importing country's custom office and issues certificates

Agreement on Rules of Origin

This agreement provides a program for the harmonization of rules of origin for application to all non-preferential commercial policy instruments. It also establishes disciplines that must be observed in instituting or operating rules and provides for dispute settlement procedures and creates the rules of origin committee. However, details on the harmonization of rules of origin are left for future negotiations

Agreement on Import Licensing Procedures

In order to prevent import licensing procedures of different countries from becoming unnecessary trade barriers, this agreement aims to simplify administrative procedures and ensure their fair operation.

Agreement on Subsidies and Countervailing Measures

This agreement aims to clarify definitions of subsidies, strengthen disciplines by subsidy type (extension of the range of prohibited subsidies, etc.), and to strengthen and clarify procedures for adopting countervailing tariffs.

General Agreement on Trade in Services (GATS)

This agreement provides general obligations regarding trade in services, such as most-favored-nation treatment and transparency. In addition, it enumerates 155 service sectors and stipulates that a member country cannot maintain or introduce, in the service sectors for which it has made commitments, market access restriction measures and discriminatory measures that are severer than those on the commitment table.

Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)

This agreement stipulates most-favored-nation treatment and national treatment for intellectual properties, such as copyright, trademarks, geographical indications, industrial designs, patents, IC layout designs and undisclosed information. In addition, it requires Member countries to maintain high levels of intellectual property protection and to administer a system of enforcement of such rights. It also stipulates procedures for the settlement of disputes related to the agreement

Understanding on Rules and Procedures Governing the Settlement of Disputes (DSU)

This “agreement” provides the common rules and procedures for the settlement of disputes related to the WTO Agreements. It aims to strengthen dispute settlement procedures by prohibiting unilateral measures, establishing dispute settlement panels whose reports are automatically adopted, setting time frames for dispute settlement, establishing the Appellate Body, etc

Trade Policy Review Mechanism (TPRM)

provides the procedures for the Trade Policy Review Mechanism to conduct periodical reviews of Members’ trade policies and practices conducted by the Trade Policy Review Body (TPRB).

WTO and India

The eight rounds of GATT negotiations started in 1986 at Uruguay, under the chairmanship of Arthur Dunkel. One of the important features of the Uruguay round was transforming GATT into a permanent watchdog named as WTO (World Trade Organization) in 1995 with a status equal to IMF and World Bank. The preamble of WTO states that, “there is a need for positive efforts to ensure that developing countries and especially the least developed among them, secure a share in the growth of international trade commensurate with the needs of their economic development”. It also categorically states

that, “the developing countries will be benefited from the increased exports and better treatment with respect to measures taken by the other WTO member”. The new World Trade Organization (WTO) which replaces the General Agreement on Tariffs and Trade (GATT) has come into effect from Jan 1st 1995 with about 85 founding members including India. The major agreements under WTO regimes are TRIPS (Trade Related Intellectual Property Rights), TRIMS (Trade Related Investment Measures), GATS (General Agreement and trade and services),

Dispute Settlement and Monitoring of Trade Policies.

India has adopted the policy of most favored nation (MFN) to all its trading partners. As a member of WTO, India is committed to ensure that the sectors in which the developing countries enjoy a comparative advantage are adequately opened up to international trade. India is also committed to ensure that the special and differential treatment provisions for developing countries under different WTO agreements are translated into specific enforceable dispensations. Currently, India has adopted WTO norms in these sector likes Agriculture, Trade and Industry, Intellectual property and services (WTO Report on India’s trade policies Review, May 2002). Consequent upon WTO Arrangement, it was expected that India’s export and its GDP performance would improve. It is against this backdrop, the export and GDP performance of the Indian economy for the period 1985-86 to 2004-05 has been investigated keeping in view the economic reform of 1991 and commencement of WTO in 1995.

IMPACT OF WTO AGREEMENTS ON INDIAN ECONOMY

The signing of WTO agreements will have far reaching effects not only on India’s foreign trade but also on its internal economy. Although the ultimate goal of WTO is to free world trade in the interest of all nations of the world, yet in reality the WTO agreements has benefitted the developed nations more as compared to developing ones. The impact of WTO on India’s economy is staged as follows :-

Positive Impact from WTO

The Positive impact of WTO on India's economy can be viewed from the following points:-

Increase In Export Earnings :- Estimates made by World Bank, Organisation for Economic Co-operation and Development (OECD) and the GATT Secretariat, shows that the income effects of the implementation of Uruguay Round package will be an increase in traded merchandise goods. It is expected that India’s share in world exports would improve.

Agricultural Exports :- Reduction of trade barriers and domestic subsidies in agriculture is likely to raise international prices of agricultural products. India hopes to benefit from this in form of higher export earnings from agriculture. This seems to be possible because all major

agriculture development programmes in India will be exempted from the provisions of WTO Agreement.

Export Of Textiles And Clothing :- With the phasing out of MFA (Multi - Fibre Arrangement), exports of textiles and clothing will increase and this will be beneficial for India. The developed countries demanded a 15 year period of phasing out of MFA, the developing countries, including India, insisted that it be done in 10 years. The Uruguay Round accepted the demand of the latter. But the phasing out Schedule favours the developed countries because a major portion of quota regime is going to be removed only in the tenth year, i.e. 2005. The removal of quotas will benefit not only India but also every other country'.

Multilateral Rules And Disciplines :- The Uruguay Round Agreement has strengthened Multilateral rules and disciplines. The most important of these relate to anti - dumping, subsidies and countervailing measures, safeguards and disputes settlement. This is likely to ensure greater security and predictability of the international trading system and thus create a more favourable environment for India in the New World Economic Order.

Growth To Services Exports :- Under GATS agreement, member nations have liberalised service sector. India would benefit from this agreement. For Eg:- India's services exports have increased from about 5 billion US \$ in 1995 to 96 billion US \$ in 2009-10. Software services accounted for about 45% of service exports.

Foreign Investment :- India has withdrawn a number of measures against foreign investment, as per the commitments made to WTO. As a result of this, foreign investment and FDI has increased over the years. A number of initiatives has been taken to attract FDI in India between 2000 and 2002. In 2009-10, the net FDI in India was US \$ 18.8 billion.

Negative Impact Of WTO Agreements on Indian Economy :-

TRIPs :- The Agreement on TRIPs at Uruguay Round weights heavily in favour of Multinational Corporations and developed countries as they hold a very large number of patents. Agreement on TRIPs will work against India in several ways and will lead to monopoly of patent holding MNCs. As a member of WTO, India has to comply with standards of TRIPs. The negative impact of agreement on TRIPs on Indian economy can be stated as follows

Pharmaceutical Sector :- Under the Patents Act, 1970, only process patents were granted to chemicals, drugs and medicines. This means an Indian pharmaceutical company only needed to develop and patent a process to produce and sell that drug. This proved beneficial to Indian pharmaceutical companies as they were in a position to sell quality medicines at low prices both in domestic as well as in international markets. However, under the agreement on

TRIPs, product patents needs to be granted. This will benefit the MNCs and it is feared that they will increase the prices of medicines heavily, keeping them out of reach of poor. Again many Indian pharmaceutical companies may be closed down or taken over by large MNCs.

Agriculture :- The Agreement on TRIPs extends to agriculture through the patenting of plant varieties. This may have serious implications for Indian agriculture. Patenting of plant varieties may transfer all gains in the hands of MNCs who will be in a position to develop almost all new varieties with the help of their huge financial resources and expertise.

Microorganisms :- The Agreement on TRIPs also extends to Microorganisms as well. Research in micro - organisms is closely linked with the development of agriculture, pharmaceuticals and industrial biotechnology. Patenting of micro - organisms will again benefit large MNCs as they already have patents in several areas and will acquire more at a much faster rate.

TRIMs :- Agreement on TRIMs provide for treatment of foreign investment on par with domestic investment. This Agreement too weights in favour of developed countries. There are no provisions in Agreement to formulate international rules for controlling restrictive business practices of foreign investors. In case of developing countries like India, complying with Agreement on TRIMs would mean giving up any plan or strategy of self - reliant growth based on locally available technology and resources.

GATS :- One of the main features of Uruguay Round was the inclusion of trade in services in negotiations. This too will go in favour of developed countries. Under GATS agreements, the member nations have to open up services sector for foreign companies. The developing countries including India have opened up services sector in respect of banking, insurance, communication, telecom, transport etc. to foreign firms. The domestic firms of developing countries may find it difficult to compete with giant foreign firms due to lack of resources & professional skills.

Non - Tariff Barriers:-Several countries have put up trade barriers and non - tariff barriers following the formation of WTO. This has affected the exports from developing countries. The Union Commerce Ministry has identified 13 different non - tariff barriers put up by 16 countries against India. For e.g. MFA (Multi - fibre arrangements) put by USA and European Union is a major barrier for Indian textile exports.

Agreement On Agriculture (AOA) The AOA is biased in favour of developed countries. The issue of food security to developing countries is not addressed adequately in AOA. The existence of global surpluses of food grains does not imply that the poor countries can afford to buy. The dependence on necessary item like food grains would adversely affect the Balance of Payment position.

Conclusion

WTO is an international trade organisation having set of rules and principals , mutually designed and agreed upon to promote international trade in general and reduction of tarrif barriers and removal of import restrictions in particular .WTO agreements are beneficial to India in increasing its foreign trade of goods as well as services .These agreements have helped in increasing rate of economic development. On the other side these agreements have harmed agriculture sector , service sector, pharmaceutical sector etc.But inspite of these disadvantages India cannot leave the membership of WTO .India should improve its efficiency to avoid negative impact of WTO. Agreements of WTO are framed keeping in view interest of all member countries .So India should try to take more and more benefits of WTO agreements and continue its member.