



WTO and its impact on India

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Abstract

The birth of World Trade Organization (WTO) Came into existence on January 1, 1995 holds a great promise for the entire world economy in respect of international trade. This Organization will administer the new global trade rules for in international trade, which amounted to nearly five trillion dollar in 1994 for goods and services. Peter Sutherland, the first Director General of WTO said, "The WTO binds nations in a global co-operative endeavor to raise income and create good jobs through fair and open trade." The latest issue of GATT/WTO New (January,1995) observed that the new global trade rules were achieved after seven years of negotiations among were more than 120 countries and through the WTO agreements and market access commitments; world income is expected to rise by over 800 billion dollar annual by the year 2008 and annual global trade.

Keywords: economy, impact, organization, services, trade

1. Introduction

World Trade Organization and Indian Economy: The World Trade Organization is playing an important role for administering the new global trade rules in the following ways:-

- 1. Trade Agreement:** The WTO administers, through various councils and committees, the 28 agreements contained in the final act of the Uruguay Round, plus a number of plurilateral agreements, including one government procurement.
- 2. Tariffs Rules:** The WTO also oversees the implementation of significant tariff cuts (averaging 40 percent) and reduction of non-tariff measures agreed to in the trade negotiations.
- 3. Trade watch dog:** The WTO is a watchdog of international Trade, regularly examining the trade regimes of individual members. In its various bodies, members flag proposed or draft measures by others that can trade conflicts. Members are also required to notify in detail various trade measures and statistics which are maintained by the WTO in a large data base.
- 4. Various conciliation norms:** The WTO provides several conciliation mechanisms for finding an amicable solution to trade conflicts that can arise among members.
- 5. Trade disputability settlement:** Trade disputes that cannot be solved through bilateral talks are adjudicated under the WTO Dispute Settlement Court Panels of Independent expert are established to examine disputed in the light of WHO rules and provide rulings. This tougher streamlined procedure ensures equal treatment for all training patterns and encourages members to live up to their obligations.
- 6. WTO is consultant body:** The WTO is a management consultant for world trade. Its economists keep a close watch on the pulse of the global economy and provide studies on the main trade issues of implementation or

Uruguay Round results through a newly established Development division and strengthened technical co-operation and training division.

- 7. Checks of trade barriers:** The WTO will be forum where countries continuously negotiate exchange of barriers all over the world. And the WTO already has a substantial agenda for further negotiations in many areas. The World Trade Organization (WTO) is an organization that intends to supervise and liberalize international trade. The organization officially commenced on January 1,1995 under the Marrakech Agreement, replacing the General Agreement on Tariffs and Trade (GATT), which commenced in 1948. The organization deals with regulation of trade between participating countries; it provides a framework for negotiating and formalizing trade agreements, and a dispute resolution process aimed at enforcing participants' adherence to WTO agreements which are signed by representative of member governments and ratified by their parliaments^[4,5]. Most of the issue that the WTO focuses on derive from previous trade negotiations, especially from the Uruguay Round (1986-1994).The organization is currently endeavoring to persist with a trade negotiation called the Doha Development Agenda (or Doha Round), Which was launched in 2001 to enhance equitable participation of poorer countries which represent a majority of the world's population. However, the negotiation has been dogged by "disagreement between exporters of agricultural bulk commodities and countries with large numbers of subsistence farmers on the precise terms of a 'special safeguard measure' to protect farmers from surges in imports. At this time, the future of the Doha Round is uncertain. "It can be expected that the WTO is different from and an improvement upon GATT, on the ground that firstly, the WTO will be more global in its membership than the GATT. Its perspective membership is already

around 150 countries and territories with many other considering accession.

Secondly, the WTO has a far wider scope than its predecessor, bringing into the multi-lateral trading system for the first time commercial activities like trade in services, the exchange of ideas in the context of intellectual property protection and investment.

This infant organization-WTO has been passing through trials tribulations and challenges. But the organization has taken the stresses and strains it had to bear in its infancy rather well. It has already begun to show promising signs of growing into a vibrant body which is destined to play a vital role in future development of world trade and economy.

Dispute settlement mechanism of WTO

The WTO presently offers a far more powerful mechanism in order to resolve disputes over trade, arising out of growing competition for markets among the members. Under the present situation facing frequent quarrels and disputes among the trading partners a trade-dispute settlement mechanism is very much required. WTO in now changed with the responsibility to provide such mechanism. Pity recent report of WTO observed that developing countries are emerging more as active user of the multilateral dispute-settlement mechanism than the developed nations. Such a move has been noticed more so in the World Trade Organization than the General Agreement on Tariffs and Trade. On March 5, 1996, the Dispute Settlement Body (DSB) established two panels at the request of Philippines and Costa Rica. The DSB decision raised the number of active panels in WTO to four, with three of them involving developing country complainants. The first WTO dispute, which had been settled bilaterally, involved two developing countries Singapore and Malaysia. An in depth analysis shows that in contrast, the vast majority of dispute-settlement cases in GATT were between developed countries. Improvements in the WTO's dispute-settlement procedure over those of GATT have facilitated the lodging of formal complaints for all members.

These improvements include:-

- a) Near automaticity of establishment of panels and adoption of their reports and
- b) Precise deadlines for every step of the panel process.

At present the WTO is making an all-out effort to evolve a consensus on controversial and key issue like inclusion of social clause on trade agenda. The Director General of Geneva-based WTO, Mgr. Renato Ruggiero says that immediate challenge is to build a consensus on the subject of trade and labor standards in order to avoid this becoming a divisive issue. The new WTO agreement extends the amount of Government procurement opened to international by 10 times compared to the earlier agreement. However, it remains only a pluri-lateral agreement with limited membership.

WTO - The Third Pillar in International Economic Relations and Its Benefits:- Besides the World Bank and the IMF, the World Trade Organization (WTO) is now being considered as the third pillar in the post-war international economic relations. The WTO will have three main legal instruments.

The General Agreement on Tariffs and Trade (GATT) along with associated agreements and Jurisprudence the General Agreement on Trade in Service (GATS) and the agreement on Trade-related intellectual Property Rights (TRIPS).

A particularly noteworthy feature of WTO is that its highest decision making body would be the Ministerial Conference which alone will have the authority to take decisions on all matters under any of the agreements covered by the WTO. During the intervals between the meetings of the Ministerial Conference, the General Council would carry out its functions, including its role as the Dispute Settlement Body. Reacting to establishment of the WTO and ratification of the Final Act by different countries, trade experts contend that the significant reductions in tariff and non-tariff barriers negotiated in the round would give the international trading environment a new dynamism and vitality. Enumerating the benefits of the WTO, it can be observed that increasing market access opportunities in the context of their liberalized economic policies. Thus, the World Trade Organization (WTO) will strengthen the institutional framework for trade relations among member countries. Accordingly, with the establishment of WTO, a new trade order was likely to emerge.

History of W.T.O

Harry White(1) and John Maynard Keynes at the Bretton Woods Conference – Both economists had been strong advocates of a liberal international trade environment, and recommended the establishment of three institutions: the IMF (fiscal and monetary issues), the World Bank (financial and structural issues), and the ITO (international economic cooperation). The WTO's predecessor, the General Agreement on Tariffs and Trade (GATT), was established after World War II in the wake of other new multilateral institutions dedicated to international economy cooperation- notably the Bretton Woods institutions known as the World Bank and the International Monetary Fund. A comparable international institution for trade, named the International Trade Organization was successfully negotiated. The ITO was to be a United Nations specialized agency and would address not only trade barriers but other issues indirectly related to trade, including employment, investment, restrictive business practices, and commodity agreements. But the ITO treaty was not approved by the U.S. and few other signatories and never went into effect. In the absence of an international organization for trade, the GATT would over the years "transform itself" into a de facto international organization.

First ministerial conference

Main article: WTO Ministerial Conference of 1996 The inaugural ministerial conference was held in Singapore in 1996. Its primary purpose was to initiate an international effort among global trading nations to overhaul the structure and mechanisms of the General Agreement and success achieved by that system since its inception in 1948. Disagreements, largely between developed and developing economies, emerged over four issues initiated by this conference; afterward, these were collectively referred to as the "Singapore issues".

Second ministerial conference

Main article: WTO Ministerial Conference of 1998 was held in Geneva in Switzerland.

Third ministerial conference

Main article: WTO Ministerial Conference of 1999 The Third conference in Seattle, Washington ended in failure, with massive demonstrations and police and National Guard crowd control efforts drawing worldwide attention.

Fourth ministerial conference

Main article: WTO Ministerial conference of 2001 Was held in Doha in Persian Gulf nation of Qatar. The Doha Development Round was launched at the conference. The conference also approved the joining of China, which became the 143rd member to join.

Fifth ministerial conference

Main article: WTO Ministerial Conference of 2003 The ministerial conference was held in Cancun, Mexico, aiming at forging agreement on the Doha round. An alliance of 22 southern states, the G20 (led by India, China and Brazil), resisted demands from the North for agreements on the so-called "Singapore issue" and called for an end to agricultural subsidies within the EU and the US. The talks broke down without progress.

Sixth ministerial conference

The sixth WTO conference Ministerial was held in Hong Kong from 13 December -18 December 2005. It was considered vital if the four-year-old Doha Development Agenda negotiations were to move forward sufficiently to conclude the round in 2006. In this meeting, countries agreed to phase out all their agriculture export subsidies by the end of 2013, and terminate any cotton export subsidies by the end of 2006. Further concessions to developing countries included an agreement to introduce duty free, tariff frees access For goods from the Least Development Countries, following the Everything But Arms initiative of the European Union-but with up to 3% of tariff lines exempted. Other major issue were left for further negotiation to be completed by the end of 2006.

Implementation of related issue in world trade organization (WTO)

Resolution of implementation issues relating to various compulsions under World Trade Organization (WTO) agreements is a complex affair. India along with other like minded developing countries has continued to maintain constant pressure for resolution of implementation issue relating to various perceived asymmetric and imbalance in existing WTO agreements and effective operationalization of various special and differential treatment provision for developing countries

Issue related to agriculture

Liberalizing Trade in agriculture on A non-subsidized basis is an important as well as difficult issue for negotiations in WTO. As mandated under Article 20 of the WTO Agreement on Agriculture, the process of negotiations has begun in the year 2000.

Trade in services

Under the provision of WTO, developing countries like India having enough manpower resources can put much trust on service sectors including construction and can indulge into trade in services with developed countries at better terms.

The policies framed by the World Trade Organization have had both Positive and Negative impacts on the Indian Businesses.

Positive Impacts

Increase in export earnings: Increase in Export Earnings be experienced through the growth in Merchandise exports and growth in Service exports.

1. Growth in merchandise exports: The activation of The WTO has enhanced the exports of the Developing Countries due to its impact on the tariff and non-tariff trade barriers, reducing them as a result of its intervention. India's merchandise exports have increased.. Growth In Service Exports: For countries like India the WTO established the General Agreement on Trade In Services (GATS). India's Service Exports increased from 5 Billion USD (1995) to 102 Billion USD (2008-09).

Agricultural Exports: Curbing of trade barriers and domestic subsidies elevated the cost of agricultural products in the international market.

Textile and Clothing: The dissolution of MFA (Multi-Fiber Arrangements) has largely benefited the textiles sector as the quotas limiting its trade are now eradicated. As a result developing countries like India can have unhindered export of textile and clothing.

Foreign direct investment: In accordance with the agreement on TRIMs (Trade Related Investment Measures) which lay down the rules that restrict the preference of domestic firms and thus allow foreign firms to operate more easily in international markets, have compelled the member nations to withdraw the restrictions on foreign investment. Thereby harmonizing the dominance of local and foreign firms and companies. In 2008-9, the net foreign direct investment in India was 35 Billion US Dollars.

Negative Impacts

Trips: Protection of intellectual property rights has been one of the major concerns of the WTO. As a member of the WTO, India has to comply with the TRIPs standards. However, the agreement on TRIPs goes against the Indian patent act, 1970, in the following ways:

1. Pharmaceutical Sector: Under the Indian Patent Act 1970, only process patents are granted to chemical, drugs and medicines. Thus, a company can legally manufacture once it has the respective product patent. The companies could sell good quality products at low prices. But, according to the TRIPs agreement, product patents will also be granted which will raise the prices of the products as a result the product in now not within the reach of the poor people, fortunately most drugs manufactured in India are off-patents so people will be less affected.

2. **Agriculture:** The TRIPs agreement covers agriculture as well so the Indian agriculture will also be affected considerably. Since a large majority of the Indian Population depends on agriculture for their livelihood, these developments will have serious consequences.

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