



WTO And its impact on India

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Abstract:

At the time of its establishment on 1st January 1995, world trade organization had membership of 124 nations. In June 2014, its membership to 160 nations. Besides another 23 countries are in the process of getting membership of WTO. This organization will administer the new global trade rules for in international trade which amounted to nearly five trillion dollar in 1994 for goods & 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 goods 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 than 120 countries and through the WTO agreement and market access commitments world income is expected to rise by over 800 billion dollar annual by the year 2008 and annual global trade.

Introduction:-

World trade organization was formed to promote free trade among its member nations its main objective is to promote multilateral trade in goods and services by eliminating non-tariff barriers. In

eight round of general agreement on tariff and trade (GATT), popularly known nations of GATT decided to set up a new organization ‘world Trade organization’ in place of GATT, WTO was formed on 1st January 1995. It took over GATT¹ (TR jain and Mukesh Trehan 2015).

GATT was all along concerned with the promotion of international trade though tariff reduction, doing always with non-discriminatory practices among trading partners, and enjoining rules to counter protectionism² (S.K misra puri 2008).

The former GATT was not really an organization. It was merely a legal arrangement on other hand, the WTO is a new international organization set up as a permanent body and designed to play the role of a watch dog in the spheres of trade in goods trade in services foreign investment, intellectual property rights etc³ (Misra and Puri 2006).

The eight round 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 watch dog named as WTO 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 country and especially the least developed among them



secure a share in the growth of international trade commensurate with the need of their economic development⁴(Pandey 2008).

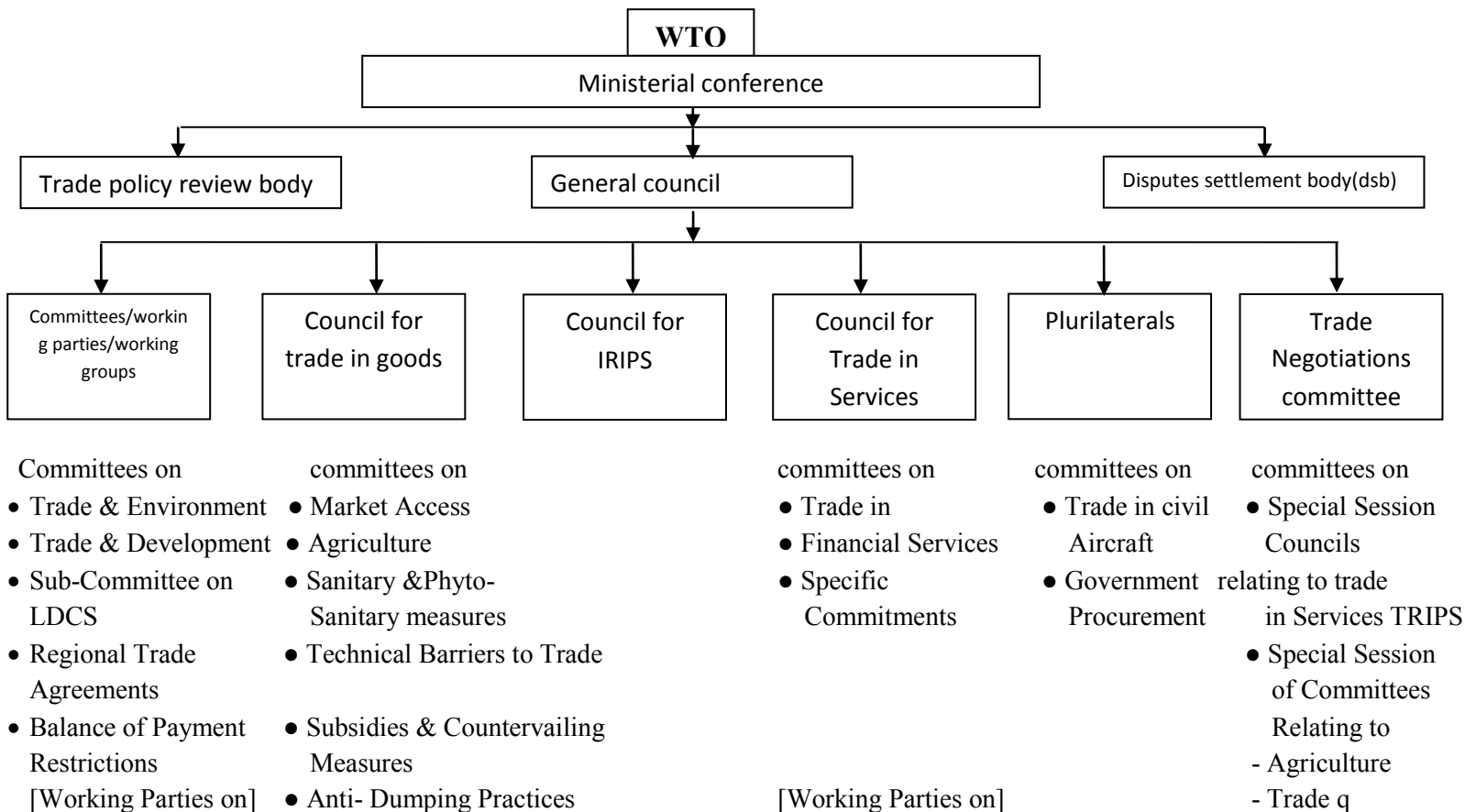
“there is a need for positive efforts designed to ensure that developing countries and especially the least developed among them, secure a share in the growth of international trade commensurate with the needs of their economic development.”

The developing countries will benefit from the increased exports and better treatment with respect to measure taken by other WTO members.

WTO, is a new globally recognized trade organization with the new name succeeding GATT on renewed agreements and having a new vision and tougher enforcement power to promote international trade. WTO along with world bank and IMF, will greatly influence global trade policy.

There were 77 member countries of WTO on 1 January 1995 which had increased to 144 by November 2003 India is one of the founder member china and Taiwan were also enrolled as members of WTO during doha conference 9-13Nov. 2001⁵.

Organizational structure of WTO





- Accession [Working Parties on]
- Relationship B/W Trade Investment
- Interaction between Trade competition Competition Policy
- Transparency in Government Procurement
- Trade, Debt Finance
- Trade Transfer of Technology
- Customs Valuation
- Rules of Origin
- Import Licensing
- TRIMS
- Safeguards
- [Textile Monitoring body]
- Working Part on State Enterprises
- Domestic Regulation
- GATS Rules
- Development
- Special Session of Dispute Settlement
- Negotiating Group on - Market Access - Rules

Note:- The WTO is aided by WTO Secretariat, Currently headed by the director General Pascal Lamy.

Source :- TATA services Limited, Statical outline of India,20-07 (Mumbai 2007), Table 282, P.244.

It has the following five functions as set out in Article III.

1. First the WTO ‘ shall facilitate the implementation, administration and operation and further the objectives, of this agreement and of the multilateral Trade agreements and shall also provide the framework for the implementation, administration and operation of the plurilateral Trade Agreements.
2. Second the WTO ‘shall provide the forum for negotiations among its members concerning their multilateral trade relations in matters dealt with under the agreements in the annexes to this agreement.
3. Third the WTO ‘ shall administer the understanding on rules and procedures Governing the settlement of disputes’.
4. Fourth the WTO ‘shall administer the Trade policy review mechanism:
5. Fifth, ‘with a view to achieving greater coherence in global economic policy – making, the world trade organization shall cooperate as appropriate , with the international monetary fund and with the international bank for Reconstruction and development and its affiliated agencies’⁷. (B. Debroy 1996).

WTO and India :-

India is one of the founder member of world Trade organization India has most of its foreign trade with those

countries that are member of WTO. There has been lot of debate on the issue whether India has gained or not by becoming member of WTO or by signing Dunkel draft. Following arguments can be advanced in favour or against India becoming a member of WTO.

Arguments against WTO :-

- Disadvantage to Agricultural sector:-

It is apprehended that by including agricultural in WTO, Indian farmers will become dependent on multinational companies for improved seeds and agricultural technology.

- Reduction in subsidy
- Import of food grains
- Plant breeding protection

Loss to regional grouping:-

With the promotion of multilateral trade, the trade of regional grouping like SAARC, NAFTA, ASEAN etc has come down⁸.

The poor countries operated in the periphery, seldom consulted until the rich ones had completed negotiations among themselves. As noted by Kevin Watkins, "what-ever the skills of negotiations from the south, for the most part they are like extras on the GATT stage the show cannot go on without them, but no body is remotely interested in what they have to say⁹",

Arguments against TRIMS :-

In terms of WTO, India could not impose any restriction on foreign

investment. Consequently multinational companies will be free to establish their industries in India.

As a result on the other hand, country's production will get discouraged and unemployment situation aggravated and on the other, dominance of multinational companies over country's economy will go on extending and their profits will continue to rise.

Arguments against Trips:-

Trips will discourage the process of research and innovation in the country. Critics are of the opinion that it is unjust to have uniform standards for all member countries, in matters of TRIPS, because these standards vary with economic and technical development of each country¹⁰.

Advantages of WTO for India Benefits from expansion in trade:-

World bank OECD (organization for Economic Cooperation and development) and the GATT secretariat have estimated that the income effects of the implementation of the Uruguay round package will add between 213 and 274 billion U.S dollars annually to world income.

- Benefits from Phasing out of the MFA:-

It has been argued that the phasing out of the MFA (Multi- Fiber Arrangement) by 2005 will benefit India as the exports of textiles and clothing's will increase.



India's exports of textiles and clothing will increase considerably and Indian exports of these products will 'flood' the us and European market

- Benefits from 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 dispute settlement¹¹.

- Trade in services:-

Under the provision of WTO developing countries like India having enough manpower resources can put trust on services sectors including construction and can indulge into trade in services with developed countries at better terms¹². (NeerajDalal June 2012)

- Increase in agricultural exports:-

As a result of reeducation in subsidies on agricultural goods given by developed countries, demand for variety of Indian food grains will rise in international market. It will provide opportunity for India to increase export of agricultural products. WTO has recommended a cut in custom duties and reduction in import restrictions on agricultural goods. It will also promote agricultural export from India considerably in the year 2005-06 India's agriculture exports were us & 10,549 million and these are expected to double in the next five years.

- Restricts Dumping:-

It a country dumps its excess production in the other nation so as to damage its domestic industry, then the affected country can lodge a complaint with WTO in this regard. WTO's dispute settlement body takes against such nation. Thus WTO agreements help to curb dumping activities in the world trade¹³.

Conclusion:-

After analyzing the various issues of WTO and their impact on developing countries, it can eventually be concluded that the developing countries, including India are likely to be expositied by the developed world through diplomatically engineered provisions of the WTO especially in the long-run.

According to C.L. Singla WTO is a gateway for the entry of free trade, foreign technology and know- how which can be made available to third world countries and which will be made available.

No doubt WTO has come into being pretty late, nevertheless in the building of new international trade order it is a step in the right direction which is needed for the economic development and transparency of under developed countries. It is futile to hope that in years to come, country's economy will be benefited by WTO and her participation in world trade will enhance. The objective situation demands that all developing countries including India, should collectively chalk out a strategy that deters the developed countries from overwhelming them and harming their interests.



End Note

- [1.] T.R. Jain, Mukesh Trehan, *Sectoral Aspects of Indian Economy*, VK Global Publications pvt. Ltd. New Delhi 2015, P-227).
- [2.] S.K. Misra and V.K. Puri, *Economic Environment of Business*, Himalaya books Pvt. Ltd. Mumbai (2008) P.262.
- [3.] S.K. Misra and V.K. Puri, *Economic of Development and Planning* Himalaya Publishing House Girgaon Mumbai (2006) P-446.
- [4.] Alok Kumar Pandey, *ICPAI Business School 2 January 2008 online at http://mpr.ub.unimuenchen.de/1604/mpra_paperno16104*, posted 8 July 2009 2:34 UTC, P.2.
- [5.] T.R. Jain, O.P. Khanna, Vir Sen, *Development and environmental Economics and International trade*, V.K. Publications New Delhi (2009-10), P. 284-85.
- [6.] Tata Service Limited, *Statistical outline of India, 2006-07* (Mumbai, 2007), Table 282, P. 244.
- [7.] Bibey Debroy, *Beyond the Uruguay Round, the Indian Perspective on GATT* (New Delhi) Saga Publications, 1996 P- 42.
- [8.] T.R. Jain Mukesh Trehan, *Opcit*, P.234-35
- [9.] Quoted by Biplab Dasgupta, *Structural Adjustment, Global trade and the New Political Economy of Development* New Delhi, Saga Publication, 1998, P-147.
- [10.] T.R. Jain, O.P. Khanna, *Opcit*. P-294.
- [11.] S.K. Misra, V.K. Puri, *Opcit*. P-266-67.
- [12.] Research Scholar, *Singhania University International Journal of Research in IT Management <http://www.mairec.org>*. June 2012. P-7.
- [13.] T.R. Jain O.P. Khanna *Opcit*. P-296-97.