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WORLD TRADE ORGANISATION (WTO) IN INDIA

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World Trade Organisation (WTO) In India

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Abstract – This research is an effort to understand the impact of WTO on Indian economy. The big question laid down in this research is how to draw an effective policy line and its implementation. To achieve this it will require an extensive scrutiny into the tools and strategies in use and an analysis of the emerging trends, the need of innovative thinking to develop a model code for India – WTO interface.

The World Trade Organisation (WTO) was created on January 1, 1995 to promote world trade. The multilateral trade agreements include the General Agreement on Tariffs and Trade (GATT) 1994 and its related agreements; the General Agreement on Trade in Services (GATS); and the Trade-related Intellectual Property Rights (TRIPS)

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ECONOMIC REFORMS OF WTO

The Indian economy has experienced a major transformation during the decade of the 1990s. Apart from the impact of various unilateral economic reforms undertaken since 1991, the economy also had to reorient itself to the changing multilateral trade discipline within the newly written GATT/WTO framework. The unilateral trade policy measures have encompassed exchange-rate policy, foreign investment, external borrowing, import licensing, custom tariffs, and export subsidies. The multilateral aspect of India's WTO commitments regarding trade in goods and services, trade-related investment measures, and intellectual property rights. The present study analyzes the economic effects on India and other major trading countries/regions of the Uruguay Round (UR) trade liberalization and the liberalization that might be undertaken in a new WTO negotiating round.

OBJECTIVE OF WTO

The aim of WTO is to liberalize international trade. WTO establishes rules regarding international trade and sees that these rules are obeyed

Scope of WTO

Trade in Goods - Agriculture

State of Play on Agriculture Negotiations in the Doha Round WTO

I. Agriculture

The agriculture negotiations apply to the products covered under the Agreement on Agriculture (AOA) of the World Trade Organisation (WTO), namely, all basic agricultural products, the products derived from them

and all processed agricultural products. This also includes wines, spirits, tobacco products, fibres such as cotton, wool and silk and raw animal skins for leather production. Fish and fish products and forestry products are not included.

The three main elements or "pillars" of the Agreement on Agriculture (AOA) and the negotiations are: (i) market access, (ii) domestic support and (iii) export competition. The Doha Ministerial Declaration of November 2001 committed Members to comprehensive negotiations aimed at: substantial improvements in market access; reductions of, with a view to phasing out, all forms of export subsidies; and substantial reductions in trade-distorting domestic support. Special and differential treatment for developing Members is also intended to be an integral part of the modalities.

WTO AGREEMENT ON AGRICULTURE

After over 7 years of negotiations the Uruguay Round multilateral trade negotiations were concluded on December 15, 1993 and were formally ratified in April 1994 at Marrakesh, Morocco. The WTO Agreement on Agriculture was one of the many agreements which were negotiated during the Uruguay Round.

The implementation of the Agreement on Agriculture started with effect from 1.1.1995. As per the provisions of the Agreement, the developed countries would complete their reduction commitments within 6 years, i.e., by the year 2000, whereas the commitments of the developing countries would be completed within 10 years, i.e., by the year 2004. The least developed countries are not required to make any reductions.

EXPORT SUBSIDIES

The Agreement contains provisions regarding members commitment to reduce Export Subsidies. Developed countries are required to reduce their export subsidy expenditure by 36% and volume by 21% in 6 years, in equal installment (from 1986 –1990 levels). For developing countries the percentage cuts are 24% and 14% respectively in equal annual installment over 10 years. The Agreement also specifies that for products not subject to export subsidy reduction commitments, no such subsidies can be granted in the future.

TRADE IN SERVICES - GENERAL AGREEMENT ON TRADE IN SERVICES

The GENERAL AGREEMENT ON TRADE IN SERVICES (GATS) is the first set of international rules for the international trade in services. India has been a signatory to the Agreement since its entry into force in 1995. GATS set out a framework of legally-binding rules governing the conduct of world trade in services. It is supported by a number of schedules of specific commitments undertaken by individual WTO Members. These commitments bind Members not to introduce more restrictive rules which could have an adverse effect on trade. India made initial commitments at the time of entry of GATS into force.

TRIMS (TRADE RELATED INVESTMENT MEASURES)

The present agreement prohibits trade related investment measures that are violative of Art. III and Art. XI of the General Agreement on Tariffs and Trade. Local content requirements, trade balancing requirements, and export restrictions are prohibited. The efforts of developing countries would be to reduce the prohibitions in view of the experience of these countries based on the operation of the agreement. Developing countries (the Like Minded Group) have submitted certain proposals in this regard in the context of review of implementation of the Uruguay Round Agreements.

The TRIMs Agreement has been found by the developing countries to be standing in the way of sustained industrialization of developing countries, without exposing them to balance of payment shocks, by reducing substantially the policy space available to these countries

TRIPS (TRADE RELATED INTELLECTUAL PROPERTY RIGHTS)

TRIPs agreement are related to intellectual property rights. These intellectual property rights can be with regard to copyright, trade mark, patents, etc. under TRIPs owner of patent gets his patent registered for a particular period of time. Any person who wants to use that patent, can use it by paying royalty to the owner of the patent. TRIPs agreement gives this right on various types of intellectual properties. Underdeveloped countries who do not have patent

rules in their countries, are to enact patent rules within a period of 10 years since the start of WTO. Only those intellectual properties can be patented which are new, involve research and can be put to industrial use.

Advantages and Disadvantages WTO for India? OR

Impact of WTO in India

Advantages of WTO

World Trade Organization helps member states in various ways and this enables them to reap benefits such as:

Helps promote peace within nations: Peace is partly an outcome of two of the most fundamental principle of the trading system; helping trade flow smoothly and providing countries with a constructive and fair outlet for dealing with disputes over trade issues. Peace creates international confidence and cooperation that the WTO creates and reinforces.

Disputes are handled constructively: As trade expands in volume, in the numbers of products traded and in the number of countries and company trading, there is a greater chance that disputes will arise. WTO helps resolve these disputes peacefully and constructively. If this could be left to the member states, the dispute may lead to serious conflict, but lot of trade tension is reduced by organizations such as WTO.

Rules make life easier for all: WTO system is based on rules rather than power and this makes life easier for all trading nations. WTO reduces some inequalities giving smaller countries more voice, and at the same time freeing the major powers from the complexity of having to negotiate trade agreements with each of the member states.

Free trade cuts the cost of living: Protectionism is expensive, it raises prices, WTO lowers trade barriers through negotiation and applies the principle of non-discrimination. The result is reduced costs of production (because imports used in production are cheaper) and reduced prices of finished goods and services, and ultimately a lower cost of living.

It provides more choice of products and qualities: It gives consumer more choice and a broader range of qualities to choose from.

Trade raises income: Through WTO trade barriers are lowered and this increases imports and exports thus earning the country foreign exchange thus raising the country's income.

Trade stimulates economic growth: With upward trend economic growth, jobs can be created and this can be enhanced by WTO through careful policy making and powers of free trade.

Basic principles make life more efficient: The basic principles make the system economically more efficient and they cut costs. Many benefits of the trading system are as a result of essential principle at the heart of the WTO system and they make life simpler for the enterprises directly involved in international trade and for the producers of goods/services. Such principles include; non-discrimination, transparency, increased certainty about trading conditions etc. together they make trading simpler, cutting company costs and increasing confidence in the future and this in turn means more job opportunities and better goods and services for consumers.

Governments are shielded from lobbying: WTO system shields the government from narrow interest. Government is better placed to defend themselves against lobbying from narrow interest groups by focusing on trade-offs that are made in the interests of everyone in the economy.

The system encourages good governance: The WTO system encourages good government. The WTO rules discourage a range of unwise policies and the commitment made to liberalize a sector of trade becomes difficult to reverse. These rules reduce opportunities for corruption

DISADVANTAGES OF WTO FOR INDIA

Disadvantages to agricultural sector: it is apprehended that by including agriculture in WTO, Indian farmers will become dependent on multinational companies for improved seeds and agricultural technology. Farmer will have to pay huge amount to MNCs for branded seeds, fertilizers and pesticides. Big farmer alone will be able to take advantage. The small farmers, who are the large in number, will be forced to sell their land.

Loss to domestic industries: according to WTO, foreign investment, MNCs will have a free entry in the Indian market. This will adversely affect the domestic industry.

Effect on prices: if patents for common product like medicines, foodgrains, chemicals, etc. are recognized, then developing countries like India will have to pay huge royalty to the patent holder. It will result in price rise.

Loss to regional grouping: with the promotion of multilateral trade, the trade of regional grouping like SAARC, NAFTA, ASEAN, etc. has come down.

Disadvantages to service sector: it is feared that WTO will adversely affect our service sector also. Our banking, insurance, transport, education and hotel

services will not be able to compete with the similar services offered by MNCs.

Increase in unemployment: WTO will encourage the free flow of imported goods and MNCs in developing countries. MNCs use capital intensive technology which creates less employment opportunities.

PROGRESS IN FULFILLMENT OF INDIA'S COMMITMENT TO WTO

Reduction in tariff and non-tariff barriers

Amendment in patent act

Sui-Generis system

Copyright, trademarks and industrial designs

Geographical indication

Trade related investment measures

General agreement on trade in services

CONCLUSION

India is known to be defensive in the area of agricultural negotiations at the WTO. However, there are areas where India can be offensive as it has significant cost advantage. Horticultural sector is one such area. The proposed study intends to assess the potential impact of Doha Round on Indian horticultural trade. Study will be conducted for select horticultural products and with respect to the US and European markets. A relatively unrestricted, data determined, econometric modelling approach based on the error correction mechanism (ECM) will be used. Though the study is to assess the impact of Doha Round, it will help India understand its negotiating position better by looking at one of the offensive interests it has in agriculture, as the conclusion of the Doha Round is unlikely to happen soon.

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