

“WTO Its Impact on Indian Economy”

Dr. Md. Danish Shabbir*

Abstract-The roots of newly emerging forces of globalization exist in specific economic and political development in the late 1980s and early 1990s. From other regulatory measures to correct the prevailing distortions in the Indian economy, government of India introduced Structural Adjustment Programmes (SAPs) in July 1991. The World Trade Organization (WTO) which came into existence on January 1, 1995 with a view to ensure global cooperative trade environment, to raise incomes and to create ample job opportunity for the nations through fair and open trade. In order to estimate growth of Indian exports as well as Gross Domestic Product (GDP) for the period 1985-86 to 2004-05 keeping view the structural reform of 1991 and WTO Settlement in 1995, we have employed OLS technique based on dummy variables. The empirical evidences of the present paper has scanned Gross Domestic Product and export performance of the Indian economy for the period 1985-86 to 2004-05 with an attempt to isolate the impacts of Economic reforms and WTO.

Keywords: trade, law, World Trade Organization, liberalization, dispute settlement

I. Introduction-The World Trade Organization (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). In addition to these agreements, Annexure 1 and 2 cover the dispute settlement mechanism and Annexure 3 the trade policy mechanism. A noteworthy feature is that these three Annexure are part of a “single undertaking” approach. The fundamental principles of the regime are: most favored-nation (treating all countries equally); national treatment (treating foreigners and locals equally); and freer trade (reductions in tariffs and removal of non-tariff barriers). The WTO has

153 members and about two-thirds of them are developing countries. The special and differential treatment provisions allow the developed countries to treat the developing countries ^{more} favorably than the other WTO members. Developing countries face some challenges in coping up with the trade regime. They are: fulfilling commitments under WTO agreements which require legal and administrative reforms; capacity-building to articulate concerns and trade-offs during the negotiations; adaptation and mitigation policies to contain the adverse effects of globalization; and the shrinking of policy space because of the global commitments. They are conscious that they did not do the preparatory work at the negotiations stage. They were hesitant about the GATS and the TRIPS, but accepted them because all the agreements formed a “single undertaking”. Further, they perceive that the globalization process is skewed (greater mobility of goods and capital and lesser mobility of labour) and that most of the S&DT provisions are not mandatory. The Doha ministerial conference (2001) tried to incorporate development concerns in the new round of trade negotiations.

II. Literature Review-This book, which is a compilation of 18 papers, provides the developing countries’ perspective, negotiating options and strategies, market access, trade facilitation and government procurement, TRIPS and GATS, and growth, poverty and inequality. Manoj Pant notes that, with the single-undertaking clause allowing cross-sectoral bargaining, the art of negotiations is something that developing countries have to learn. Arvind Panagariya argues that, the continued asymmetries in the influence of the rich and poor countries notwithstanding, the WTO is by far India’s best hope for protecting its trading rights. He says India, while evolving its negotiating strategies, must take into consideration the direct benefits that flow from the demands put forward, define its negotiating positions positively rather than negatively, and take a hard look at the endgame. As for market access, developing countries want trade in agriculture to be freed from domestic supports and other non-tariff distortions and the tariff escalations for labour-intensive products — such as textile and clothing and leather products — in developed countries to be removed. The TRIPS agreement has been a contentious issue for the developing countries because it affects the structure and functioning of the pharmaceutical industry, which has serious implications for health care. World Trade Organization and Indian Economy: The

*(Assistant Professor) Dept. Of Commerce, Oriental College, Patna city Patliputra University, Patna Bihar

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.

III. Methodology-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 infect 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. A 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 notice of 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 automatically 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, M.Nr. 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 (GATTS) 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.

Conclusion-The European Union and the United States have made plurilateral requests to India for greater commercial presence rights (Mode 3). Rashmi Banga examines the competitiveness and preparedness of different service sectors in India for carrying the liberalization process forward, besides highlighting the domestic and external constraints. There seems to be a consensus that, in the long term, growth in trade will accelerate economic growth and may reduce income inequality and that, in the short term, there is a possibility of the inequality widening in the absence of appropriate domestic policies. Overall, the book gives an exhaustive and lucid account of the WTO issues, the perceptions of the developed as well as the developing countries on various trade issues, and how national circumstances of countries influence negotiation strategies and formations of coalitions. However, it does not deal with the recent global melt-down and its implications for the global trading regime. Trade-related policymakers and students interested in policy issues affecting international trade will find the publication useful.

References

- G.M. Meier, the International Environment of Business Oxford University Press New York, 1998 p. 4.
- M.E. Porter “Om Competition,” New York Free Press – 1998
- Pradhan J.P. “Global Competitiveness of Indian Pharmaceuticals Industry, New Delhi
- A.M. Rugman and A. Verbeke “A Prospective of Regional and Global Strategies P. 18
- P. Ghemawat “Regional Strategies for Global Leadership” Harward Business Review, 2005, Vol. 83, No. 12, Page 98
- Glueck and Jauch “Business Environment” p. 241
- C.K. Prahalad “The Fortune at the Bottom of the Pyramid” Wharton School Publishing P. 81
- B.K. Kadia & S. Lahiri “Indian Business Group” Journal & Management 2006, P. 23

