



## WTO: IT'S IMPACT ON INDIAN ECONOMY

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### **Abstract**

*The birth of the World Trade Organization (WTO) came into force on 1 January 1995 in respect of international trade in the world economy is a big promise. The organization's international business, which is about five trillion dollars in 1994 for goods and services in the amount of new global trade rules will administer. Peter Sutherland, the first Director General of the WTO, "said WTO binds nations in a global cooperative effort to generate income through the good and fair and open trade to create jobs." The GATT / WTO New latest issue (January, 1995), said the new rules of global trade talks in seven years were among more than 120 countries and the WTO market access agreements and commitments acquired through went; World income in 2008 and annual global trade is expected to increase to 800 billion dollars annually.*

**Key Words:** *Economy, Impact, Organization, Services, Trade, GDP, Export & Import.*

### **Introduction**

Eight rounds of GATT negotiations started in Uruguay in 1986, chaired by Arthur Dunkel. One of the important features of the Uruguay Round for a permanent position with the IMF and the World Bank in 1995, equivalent to the World Trade Organization (WTO) replaced GATT was designated as a sentinel. As stated in the preamble of the WTO, "a need for positive efforts to ensure that developing countries and especially the least developed among them, tailored to the needs of their economic development, international business development there is a chunk that ". It also states that, "an increase in exports of developing countries and the measures taken by other WTO members will be benefited from better to the treatment." The new World Trade Organization (WTO) which Tariffs and Trade (GATT), General Agreement replaces the 85 founding members, including India, Jan. 1, 1995 has come into effect. Major agreements under the WTO TRIPS agreements (Trade Related Intellectual Property Rights), trims (Trade Related Investment Measures), GATS (General Agreement of Trade and Services), dispute settlement and trade policies are monitored. India most favoured nation for all its trading partners (MFN) policy is adopted. India as a member of the WTO to ensure that developing countries have a comparative advantage in the area of international trade is opened to enjoy the adequately committed.<sup>1</sup> India also ensure that developing countries under various WTO agreements provisions for special and differential treatment are translated into specific, enforceable dispensations committed. Currently, India likes WTO norms adopted in the field of agriculture, trade and industry, intellectual property and services (WTO: Trade Policy Review of India, May 2002 report). It was expected that the WTO system as a result of India's exports and improve the performance of its GDP. Our most important work on the implementation of the Uruguay Round agreements to resolve the concerns of developing countries. We have existing agreements to achieve uniformity and equity in developing countries are against calls for new commitments. Permanently be kept away from the negotiating table in favour of non-trade issues.<sup>2</sup>

### **Objective of the Study**

The objective of the study is to examine the growth performance of GDP of Indian economy as well as Indian export, considering the impact of major structural change, if any, after 1991 due to introduction of Structural Adjustment Programmes and WTO Arrangement in 1995.

### **Research Methodology**

The various studies predicted that due to the WTO world trade has been increased in developing economies. Whether the WTO has affected the Indian economy in the same way is focus of our study. The study analyse that trade composition and volume of trade of India during pre and post WTO using pre-post approach. The study is based on the econometric analysis through regression, t-test to see the effect of explanatory variables i.e. Value added by industry in GDP in percentage, Value added by Agriculture in GDP in percentage, World Income (US \$ Billions), Gross Domestic Product of countries (US\$ Million) on trade volume before and after the WTO. The analysis covers the data for the period 1986-2005, i.e. ten years pre and ten years post the WTO. The study is based on secondary data that has been taken from World Bank website.

### **Incorporating Livelihood Clause**

Food and livelihood security, especially in the largely agrarian economy like India is significant. India's proposal in the ongoing negotiations for developing countries appropriate level of tariff bindings, their development needs and in line with international market distortions prevalent includes suggestions like allowing to maintain. We also do not have quantitative restrictions in specified circumstances, especially in the case of import prices to rise or fall protection system are demanding a separate provision; Minimum obligations for market access from developing countries to provide relaxation; Poverty



alleviation, rural development and rural employment, all measures taken by developing countries for free. Our immediate priority is that the agreements reached with developing countries at the Uruguay Round Agreements so as to overcome some of the inherent imbalance should be applied. Various agreements developed countries and special and differential treatment for developing countries in the operations section of the commitments undertaken by serious and meaningful implementation is made. We also strongly Intellectual Property Rights (TRIPS), trade-related aspects of the agreement that provided for the wine and spirits at par with Basmati rice, Darjeeling tea, Alphonso mangoes and geographical indications for products like the high level of security in favour of the expansion.<sup>3</sup> In the TRIMS (Agreement on Trade-Related Investment Measures) review we want flexibility for developing countries in adopting appropriate domestic policy while permitting foreign investment.

### Developed Countries Demand and Singapore Issues

Developed countries are pushing for a comprehensive agenda like rules on investment, environment, competition policy, trade facilitation, transparency in government procurement, labour standards etc. They are pressing for incorporating non-trade issues of environment and labour standards. Using as an excuse that production of products in developing countries are not being done under proper environment and labour standards they can ban the imports of their products or impose other non-tariff restrictions. The developing countries are opposed to these non-trade issues.

### WTO and Indian Agriculture and Farmers

Some critics of WTO have expressed the fears that Indian farmers are threatened by the WTO. But there is no adverse impact. India's primary agricultural products, processed agricultural products and edible oils to 150 percent to 300 percent tariff has been bound to the extent of 100 percent. Some agricultural products was bound historically low levels, but these shackles that have been raised in this regard after the Article XXVIII negotiations. It is possible to boost agriculture or food supplies intended for domestic policy instruments to maintain without hindrance. Additionally MSP, PDS operations like domestic policy measures for agriculture input subsidy provision of the WTO agreements in any way has not been constrained by agriculture (AOA) on certain provisions in the agreement, we research, pest and disease control, marketing and promotion services, infrastructure, paying for relief from natural disasters, for deprived areas and payments under regional assistance programs to provide support flexibility for payments under environmental programs.<sup>4</sup> Indian farmer productivity around the world to address the issues by making their products more competitive, need to take advantage of opportunities provided by the AOA.

### WTO and Indian Industries

Indian industry has had to face greater competition in the wake of globalisation. But it has successfully completed, as can be inferred from the fact that there has been no particular surge in imports. In fact, as per the provisional data for 2000-01 our non-oil imports declined by 14 per cent while our exports rose by over 20 per cent in the same period. A close watch is also being kept to ensure that Indian industry does not have to face unfair competition from dumped or subsidised imports of other countries. As for drug prices, safeguards are provided like compulsory licensing, price controls, and parallel imports which should help address this concern. It must also be recognised that the prices of medicines are influenced by several factors including the level of competition, size of market, purchasing capacity etc.<sup>5</sup> The issue of affordable access to treatment for AIDS, which has gathered international attention in recent months, is hopefully a pointer in the right direction. The TRIPS agreement should not be allowed to hinder the efforts of developing countries to provide affordable access to medicines. The apex Indian organisations representing various industries are sincerely working towards ensuring a gainful transition with least disadvantage into the global economy. The government also has to strive to improve infrastructure and provide a facilitating environment for inducing acceleration in trade. Developed countries have been putting pressures on inclusion of non-trade issues such as labour standards, environment protection, human rights, rules on investment, competition policy in the WTO agreements. This is because by asserting that particular developing countries are not observing and implementing the rules in regard to the non-trade issues so that the developed countries can ban the imports of some goods in their countries, as the USA has been trying to do so from time to time.<sup>6</sup> We are against any inclusion of non-trade issues that are directed in the long run at enforcing protectionist measures, particularly against developing countries.

### Import and Export of India 2006-15 Prices

(In Million)

Year	GDP at Market Prices	Exports of Goods & Services	Imports of Goods & Services	Trade	Trade Openness
2006-07	32422090	5690510	6259450	11949960	0.37
2007-08	35432440	7174240	8299260	15473500	0.44
2008-09	38714888	8634590	10081980	18716570	0.48



2009-10	42509474	9146280	11109630	20255910	0.48
2010-11	44163499	10481400	13633020	24114420	0.55
2011-12	47908470	9990297	13341800	23332097	0.49
2012-13	52823861	11950034	15424284	27374317	0.52
2013-14	56330496	13811285	18672487	32483772	0.58
2014-15	58998471	14498033	19895783	34393816	0.59

Source: Central Statistical Organisation, Government of India 2016

## WTO and India

### The Problems Facing India in the WTO and its Implementation are

- But there are many problems facing the multilateral trade agreements are,
- The development of the least developed countries and more developed countries in the negotiations over the line grown
- Resources and skills of small countries understand the limits and under the rules of the WTO, under various agreements to be negotiated
- developed and developing countries, resource size inconsistency in the implementation of various decisions Mutations
- Questionable effectiveness and integrity in the implementation of the agreements reached in the past
- Non-tariff barriers by developed countries is to be made.
- Regional cooperation is the WTO agreement, which covers all Member States threaten the viability of the multilateral groups
- Poor implementation of the Doha Development Agenda
- All types of agricultural countries where France, Japan and some countries just farmers and exporters of agricultural products in terms of domestic support and export aid are not willing to budge downwards is the bone of contention.
- MFA (Multi-fiber Agreement) and the dismantling of its impact on countries like India
- Technology transfer, biodiversity conservation, traditional knowledge and folk art conservation, biodiversity and protection of geographical indications of origin, basmati example, the high cost of trips to Mysore dosa or champagne under question. Protection that is tailored to wine and spirits in the United States and European countries have so far been given.

### Implications for India

It seems that India screaming for agricultural reforms in developed countries because the overall tariff is lower than in those countries does not stand to gain. Major reforms in the agriculture sector in India will have to make sour agriculture globally competitive. Similarly, it is doubtful if India quota, which some EU countries were available in the US market access and the dismantling of the MFA would be the major beneficiary. Unless major reforms to modernize the country and up gradation of the textile sector including apparels possibility embarks China, Germany, North Africa, Mexico and the textile and clothing sectors could reap benefits others. Singapore government buy some of the issues, trade and investment, trade facilitation and market access are important like mechanism. In the pharmaceutical sector to take advantage of them to create world-class R & D investments and mergers and corporate restructuring needs. India has already amended the Patent Act and both the product and the process is now patented in India. However, recently a number of patents in the United States closed, gives unprecedented opportunities for Indian pharmaceutical companies if used intelligently.<sup>7</sup> In India, some companies have organized themselves.

Ramakrishna Hegde in 1998, the minister, in Geneva Excerpts from the speech: "In order for the WTO an effective multilateral body, which was established for the purpose to which it serves, the necessary basic is to go back to the principles. The Uruguay round negotiators WTO Marrakesh Agreement. He acknowledged that "efforts in the field of trade and economic relations with a view to raising the standard of living must be held, full for. They also recognized that "there is positive to ensure that developing countries have made efforts, and especially the least developed among them, tailored to the needs of their economic development, international trade secure a share in growth. " They recognized also "that there is need for positive efforts designed to ensure that developing countries, and especially the least developed among them, secure a share in the growth in international trade commensurate with the needs of their economic development".<sup>8</sup>

### The Objective of WTO Reiterated

It is very clear that the intention of the negotiators for the development of trade as a means to access, enhance quality of life, was in keeping with the expansion of production, particularly in developing and least developed countries needs of countries.



WTO should never lose sight of this basic principle. Every act of implementation and interaction, every legal decision should be seen in this context. Trade, as a means for development, all our discussions, decisions and actions should base. Moreover, the system must be seen to be fair and equitable. The letter and spirit of such agreements should be used to fully observe. WTO members and mutually support each other to achieve the ultimate goal should be encouraged. It should be recognized that all the members should assume an adversarial position rather than a conversation. It should be recognized that various features and structures different economies, different problems, different cultures of people. The pace of change is carefully calibrated to take into account such differences should be. Subscriber's unilateral action that cuts the root of multilateral agreements and consensus should protect against. Special and differential treatment provisions for developing countries generally (S & D) regarding the implementation of the various Uruguay Round agreements have been particularly apprehensive. Full advantage of these provisions, developing countries have not gained clear guidelines as to how these are to be implemented has not been laid down. "First Ministerial Conference held in Singapore in 1996 to expand the agenda of the WTO was seen at the start of the pressures. Pressures investment, competition policy, transparency in government procurement and trade facilitation for the implementation of the new agreements were generated. it also introduces you to the concept of core labour standards. India and developing countries, commitments which the Uruguay round agreements, and non-trade issues to be perceived by many of the new issues before completing the burden were taken from the beginning of the conflict. in the WTO, the new subjects they were partially successful Singapore Ministerial conference (SMC) to study the relationship between trade and investment, the establishment of open-ended work program.<sup>9</sup> Trade and competition policy, transparency in government procurement practices to conduct a study, and business processes (business feature) analytical work on simplification. Most importantly the SMC clearly declared on the Trade-Labour linkage as follows:

We reject the use of labour standards for protectionist purposes, and agree that the comparative advantage of countries, particularly low-wage developing countries, must in no way be put into question. In this regard we note that the WTO and ILO Secretariat will continue their existing collaboration". Not many people in this country are aware that there is a dispute settlement system in the WTO. This is at the heart of the WTO and sets it apart from the earlier GATT. Countries like the USA and the European Union have brought cases against us and won these cases like in pharmaceutical patents. India too has complained against the US and Europe and it too has won its fair share of disputes in areas like textiles. India must effectively use this mechanism to extract fair share in world markets. It would be advantageous for India to give concrete shape to SAARC economic forum or free market and align itself with ASEAN.

#### **What India should do?**

The most important things for India to address are speed up internal reforms in building up world-class infrastructure like roads, ports and electricity supply. India should also focus on original knowledge generation in important fields like Pharmaceutical molecules, textiles, IT high end products, processed food, installation of cold chain and agricultural logistics to tap opportunities of globalization under WTO regime. India's ranking in recent Global Competitiveness report is not very encouraging due to infrastructure problems, poor governance, poor legal system and poor market access provided by India. Our tariffs are still high compared to Developed countries and there will be pressure to reduce them further and faster. India has solid strength, at least for midterm (5-7 years) in services sector primarily in IT sector, which should be tapped and further strengthened. India would do well to reorganize its Protective Agricultural policy in name of rural poverty and Food security and try to capitalize on globalization of agriculture markets. It should rather focus on Textile industry modernization and developing international Marketing muscle and expertise, developing of Brand India image, use its traditional arts and designs intelligently to give competitive edge, capitalize on drug sector opportunities, and develop selective engineering sector industries like automobiles & forgings & castings, processed foods industry and the high end outsourcing services. India must improve legal and administrative infrastructure, improve trade facilitation through cutting down bureaucracy and delays and further ease its financial markets.

#### **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.<sup>10</sup> Improvements in the WTO's dispute-settlement procedure over those of GATT have facilitated the lodging of formal complaints for all members.



### **Advantage to India**

The GATT secretariat estimated that largest increase in the level of merchandise trade in goods (in general, it would be US \$ 745 billion .by the end of 2005) will be in the areas of clothing (60 per cent), agriculture, forestry and fishery products (20 per cent) and processed food and beverages (19 per cent). India's competitive advantage lies in these fields. Hence, it is logical to believe that India will obtain large gains in these sectors. India's textile and clothing exports will increase due to the phasing out of MFA by 2005. The reduction in agricultural subsidies and barriers to export of agricultural products, agricultural exports from India will increase. The multilateral rules and disciplines relating to anti-dumping, subsidies and countervailing measures, safeguards and disputes settlement machinery will ensure greater security and predictability of international trade. This would be favourable environment for India's international business. India along with other developing countries has the market access to a number of advanced countries due to the imposition of the clauses concerning to trade without discrimination.

### **Disadvantage to India**

#### **Trade Related Intellectual Property Rights**

Protection of intellectual property rights (patents, copyrights, trademarks etc.) has been made stringent. It is argued that the TRIPs agreement goes against the Indian Patents Act, 1970. Only process patents can be granted in food, chemicals and medicines under the Indian Patents Act. TRIPs agreement provides for granting product patents also. Under TRIPs patents can be granted to methods of agriculture and horticulture, bio-technological process including living organism like plants and animals. The duration of patents under TRIPs is 20 years. Introduction of product patents in India will lead to hike in drug prices by the MNCs who have the product patent. This will hit the poor people who will not have the generic option open. The extension of intellectual property right to agriculture has negative effects on India. Presently, plant breeding and seed production are largely, in the public domain. Indian scientists have undertaken plant breeding and multiplication is in the hands of National and State Seed Corporations. Government, through this machinery, provides seed to Indian farmers at very low prices. Indian scientists, in future will find it extremely difficult to breed new varieties and Indian research institutions will be unable to compete financially with MNCs and will be denied access to patented genetic material. MNCs will get the control over our genetic resources and as such the control over food production would be jeopardised. Patenting has also been extended to a large area of micro-organisms. Application of TRIMs agreement undermines any plan or strategy of self-reliant growth based on local technology and resources. Service sector like insurance, banking, telecommunications, transportation is backward in India compared to that of developed countries. Therefore, inclusion of trade in services is detrimental to the interest of India. Liberalisation of service sector would be under tremendous pressure.<sup>11</sup>

### **Implementation of Related Issues of WTO**

Resolution of implementation issues relating to various compulsions under World Trade Organization (WTO) agreements is a complex affair. India along with other likeminded 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. 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.<sup>12</sup> 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.

### **Conclusion**

The reality of the WTO, which has come to stay. Emerging challenges and opportunities we face is to grasp. World Trade Report 2007 Sixty years of multilateral trade cooperation have been explored, starting with the birth of the GATT on 1 January 1948, the world has changed a lot in these six decades, the multilateral trading system and therefore. Globalization and the increasing openness in government policy revolutions in information and transportation technology in no small part to the ever closer economic interaction between countries has brought, thanks. The trend towards increased inter-dependence and more complex and multifaceted international economic cooperation is provided. Cooperation is hard to manage and shape the conditions under which people live has become more influential. Topics covered by the system has expanded significantly and many more players are involved in shaping the system. The 23 original signatories to the GATT, now WTO members have become 151. However, the outlook for international trade negotiations without a lot different than a similar deal with feeling. There are aspects affecting the trade balance check and a system is needed. A WTO agreement for the completion of the business integration reflects a widespread hunger in the world of business and the risk that regional deals Balkanized reduces degenerate not before accepting. The trade deficit has to decrease to escalation of GDP of the economy by efficient trade policies. Furthermore the government policy should focus on export promotion and better quality production of domestic goods and services.



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