CHAPTER-II
Review of Literature
CHAPTER-2
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The past experiences are must to have an introspective view. It provides a firsthand knowledge to guide the course of the prospective research. In this chapter an attempt has been made to present a review of literature in the area of WTO and its impact on Indian economy. A lot of work has been done by various research scholars in aforesaid area. A few of the prominent studies related to present study have been reviewed to establish the research gap and need of study.

According to Martin (1995), the Uruguay Round (UR) liberalization benefits have been estimated by various studies. The WTO modeling team (Francois, McDonald and Nordstrom) estimated benefits come to $94 billion a year in 1992 U.S. dollars when induced increases in the capital stock are incorporated, the gains rise to $214 billion a year or 0.94 per cent of global output. Almost half of this gain is estimated to accrue to developing countries, where the gains constitute a higher percentage of GDP (about 2 per cent). One World Bank team (Harrison, Rutherford and Tarr) estimated the income gains of $171 billion or 0.74 per cent of global GDP, with roughly a third to developing countries. Another World Bank team (Hartel and other's) estimated income gains from the round is $258 billion a year or about half of 1 per cent of GDP in 2005, even without economies of scale or round-induced capital accumulation. The studies differ because of their different methodologies, but together they constitute strong evidence of the benefits of the round.
Debroy(1996), points out that there are several concerns that developing countries continue to have about the textile and clothing liberalization, although they do vary from country to country. Firstly, the liberalization only extends to quantitative restrictions (QRs), it does not cover tariffs. Before the UR, the average tariff that textile and clothing faced in developed country market was 15.5 percent. After the UR, this will merely drop to 12.1 per cent, 28 per cent of developed country imports of textile and clothing will continue to be subjected to tariff of over 15 per cent. Secondly, the liberalization is back loaded; most of the liberalization is concentrated in later years. Thirdly, protection could resurface through alternate means such as anti-dumping or countervailing duties. Also there is a provision of temporary selective safeguards which could nullify many benefits of the liberalization.

WTO Focus (1997) sketches out that, during 1980 to 1995 least developed countries (LDCs) exports grew for slowly than world trade and their collective share of world merchandise exports consequently declined from about 0.8 per cent in 1980 to 0.46 per cent in 1995. In the 1990s, the annual growth in the value of LDC exports had averaged less than 2 per cent compared with 8 per cent for world trade as a whole, study further examined that EU, USA and Japan traded 34 per cent of the total agriculture exports and the main destination for their trade are developing countries viz. China, India, Brazil and South Africa.

Trade Policy Review India (1998) revealed that the average annual growth of exports during 1993-94 to 1995-96 was buoyant, amounting to 20 per cent in US$ terms. Consequently, India’s share in world exports increased
from 0.41 per cent in 1992-93 to 0.6 per cent in 1995-96. The growth rate of imports also increased, from a rate of 15.3 per cent in 1993-94 to 36.4 per cent in 1995-96. However, a slowdown occurred in 1996-97, with exports registering a growth of only 4 per cent and imports a growth rate of 6 per cent with an increase in the trade deficit to $5.4 billion in 1996-97 as compared to $4.5 billion in 1995-96. The slowdown is partly related to a general slowdown in the growth of world merchandise trade from an annual increase of 19 per cent in 1995 to 4 per cent in 1996, it is also, to a degree, due to denial of meaningful market access to Indian goods, and to Non-Tariff Measures (NTMs), including anti-dumping activity by developed countries. The multilateral negotiations have greatly helped in bringing down tariffs all over the world, similar success has not, however, been achieved on Non-Tariff Barriers (NTBs) affecting world trade. Although quantitative restrictions (QRs) are not overtly being used by most of the countries to restrict the flow of trade, quotas, standards, subsidies and indiscriminate use of anti-dumping/countervailing duty investigations are some of the most important NTBs being used to restrict the flow of trade from countries such as India.

WTO Review (1998) showed that some member's in the Council's discussion of the integration process that, notwithstanding the fact that the required percentage of products to be integrated had been met, the integration programmes of the importing members for stages 1 and 2 were not commercially meaningful for developing exporting members. The products, selected for integration were concentrated in less value added products such as tops, yarns and fabrics, with only small shares of made ups textile products and clothing; furthermore, the share of integrated products were substantially
lower in terms of value trade than in volume of trade while more of the integrated trade was being accounted for by imports from developed countries than from developing countries. These members noted that the proportion of the integrated trade in respect of products that were under restraint was in the range of only 0-3 per cent of 1990 imports of products covered by the ATC. As the first and second stages of integration would have little or no impact on the restraints, with over 96 per cent of restricted trade remaining to be integrated even after 7 years of implementation, there would be no benefits for developing countries.

Ministry of Commerce in a monthly newsletter (1999)\(^6\) found that the integration process of items of textile and clothing sector into GATT (1994)/WTO had been very tardy, especially in the case of U.S. and E.U. In fact, commercially meaningful integration has not been done. The integration initiated by U.S. and E.U. in the first two stages has not led to the removal of restrictions on any item under specific restraint from India. The developed countries appear to have adhered to the legal requirements of the interaction process. Also the functioning of the Textile Monitoring Body (TMB) is not very encouraging. The structure of the TMB is such that in any issue, it tends to get divided into two distinctive blocks of importing country members and exporting country members. The result is that on many disputes they end up issuing a finding rather than making a recommendation. Further there is a tendency to replace quotas or Quantitative Restriction (QRs) with other disguised anti-import measures both by the U.S. and E.U., especially after the finalization of Agreement on Textile and Clothing (ATC) in December 1993 (Repeated action was initiated by EU in the case of imports of unbleached cotton fabrics
from India). The E.U. accelerated the anti-dumping drive in the textile sector during 1994. Also the U.S. proposed as many as 26 new restraints globally during the first year of the ATC. The ostensibly social new issues (such as child labour, labour standard, ecological standards etc.) have been invoked both by U.S. and E.U. as protection measures in the textile sector.

Das (2001)\(^7\) concludes that the obligation under WTO has made the country to remove almost all import barriers except the few which are mainly for security and health reasons. Foreign goods are gradually replacing domestic ones on the shop shelves. Industry is concerned that some segments may lose business and face closure. The labour is alarmed at the prospect of large scale layoff. Investors are hesitant to put in their money in the manufacturing sector with an uncertain future. Of course, there are some benefits too, but WTO's demand of quick withdrawal of import controls has given a Jolt to Indian Industry. Encouraged by gains in the earlier UR, the developed countries now want more. They will be strongly pushing for a 'new round' of negotiations at Doha in November. The new areas include investment, competition policy, government procurement, and environment and labour standards. The negotiations and agreements in these areas will benefit them while being extremely damaging to developing countries like India.

Economic Survey (2001-02)\(^8\) refuted the concerns that liberalization of imports resulting from the lifting of Quantitative Restrictions (QRs) on agriculture products would lead to surge of agriculture imports affecting adversely the Indian farmers. The value of Agriculture imports in aggregate terms has come down to about US$ 1.8 billion in 2000-01 from US$ 2 9 billion
and US$ 2.8 billion in 1998-99 and 1999-2000 respectively. India has considerable flexibility to counter flooding of Indian market by cheap agriculture imports by imposing tariffs (bound rates) under WTO for agriculture products which provide a fair level of protection. The Govt. in fact, raised the import tariffs for many agriculture products such as tea, coffee, pulses and edible oil in budget 2001-02. Countervailing duties can also be imposed to counter actionable subsidies given to agriculture products by the exporting countries apart from safeguard provisions to counter surge of imports.

Mc.Guire (2002) emphasized that unlike trade in goods, the GATS framework operates on a request-offer, positive list approach on liberalization commitments. This approach allows countries not to undertake any commitment in certain sectors in the negotiations and they are under no legal obligation to supply information to their trading partners on the nature of discriminatory or access impeding regulations maintained at the domestic level. Generally, each member comes out with a wash list for obtaining market access from partners and submits this ‘request’ to the services council. Following the negotiations on the basis of the ‘requests’ each member produces an ‘offer’ list, showing the maximum market access it is willing to provide. However, there may not be any correspondence between requests and offers as countries liberalize only upto the point that satisfies their economic interests and not the same of their partners. Although service liberalization is beneficial for the economy, this gives the members a chance to sequence it and monitor its pace, which is quite important.
Panagariya (2002)\(^{10}\) concludes that despite continued asymmetries between the influence of the rich and poor countries, WTO is by far our best hope for protecting our trading rights. It is not a ‘necessary evil’ as our leaders sometimes describe it, instead, it is god sent. A key condition for faster economic growth in countries such as India is guaranteed access to open world markets. And the only institution that can deliver this access is WTO. In spite of the pressure we face from the rich countries through WTO, it remains the best guarantor of our trading rights. Anyone who thinks otherwise only needs to contemplate a world without WTO. In that world, rich countries would not need to demand, they will simply impose it, it is the power of the WTO rules that protects smaller nations from unilateral trade sanctions by rich and powerful nations.

Trade Policy Review-India (2002)\(^{11}\) reveals that Quantitative Restrictions (QRs) especially in the textile sector, are one of the most important of non-tariff barriers affecting India’s trade. The major trading partners of India had not met any industrial adjustment nor had accorded any meaningful access to developing countries like India. The integration programme implemented by the importing countries had not been in line with the spirit of the Agreement on Textiles and Clothing (ATC), though it may have conformed to the narrow technical and legal requirements of the agreement. In the first stage starting from Jan. 1, 1995, major restraining countries integrated no product under restraint from India, and in the second and third stage, integration of restraint products has been negligible. The result is that even in the tenth year of the transition period, more than 95 per cent of India’s apparel and yarn trade would remain un-integrated with some
of its major trading partners. Further, the integration schedules have a greater concentration of low value added products. It is thus obvious that the major importing countries have continued to backload the integration process and the bulk of the integration take place only at the conclusion of the transition period. Another problem is growing regionalization of textile trade on account of formation of Free Trade Areas (FTAs) and Preferential Trading Arrangements. It is estimated that 59 per cent of world trade in textiles is presently taking place under RTAs. Such localization of world textile trade is adversely affecting India's textile trade.

Trade Policy Review-India (2002)\textsuperscript{12} reveals that market access has been affected by several Non-Tariff measures (NTMs). In the agriculture product sector, there are barriers to export of mangoes and other fruits on account of insistence of some of our major trading partners to use only the Vapour Heat Treatments (VHT) procedure. In the floriculture sector, these are certain plant quarantine procedures in some importing countries including zero tolerance for some insects and pests, which affect our market access. The export of Indian milk product is affected on account of certain conditions like proof of absence of TSE/Scrapie in India insisted upon by some trading partners. There is continuing ban on import of Indian meat by some countries even though India has been free from rinderpest for the last three years and the same has been published in the OIE bulletin released from Paris. There are different regulations on use of pesticides and pesticides residues by various importing countries, which have affected market access of Indian products like grapes, egg products, honey, meat products, milk products, tea and spices. Non harmonization of regulations for approval of exporting units of
Indian egg products and non-approval of India egg processing establishment by one of our major trading partner is another market access barrier.

According to WTO Review (2002)\textsuperscript{13} the members of International Textile and Clothing Bureau (ITCB) emphasized that little progress had been achieved to liberalize trade in textile and clothing through integration and elimination of quotas. The integration programme of restraining members had concentrated on low value added yarns, fabrics and textile made up products with very few clothing items being included; moreover, the bulk of quotas remained in place. Even after the third stage integration, the number of quotas that would remain in place was as high as 701 out of 757 in the case of US, 164 out of 219 in the case of European Communities and 241 out of 295 in the case of Canada. Thus progress had been meager and had not led to the expected benefits for exporting developing countries. In their view, the increase in the rates of annual quota growth can't be a substitute for effective integration of products. Furthermore, the actual growth rate increases had not provided significant improvements in market access as, the actual pre-ATC growth rates were low. On the basis of average pre-ATC growth rates, the average addition in access during the first two stages of the ATC implementation had amounted to only 0.73 per cent per year in the European communities, 1.03 percent in the US and 1.22 per cent in Canada. As a result, the quotas continued to be restrictive. On the other hand, the restraining members considered that imports into the developed restraining had increased at a substantial rate during the period in which quotas had been applied. In the European communities, between 1995 and 2000, imports had increased 54 per cent and these imports had come mostly from developing
countries. In Canada, total clothing imports since 1994 had increased by 71 percent; imports from developing countries had grown by 79 percent during the 1995-2000 period.

Chadha (2003)\textsuperscript{14} concludes that there have been shortcomings in the agreement. This, in turn has led to loopholes, thereby providing the scope for non-implementation of agreements in their proper spirit. However, it cannot be denied that the negotiation led to streamlining of the multilateral trade rules. It brought the two most controversial sectors-Agriculture and Textiles into the mainstream of multilateral rules. The liberalization got initiated in two sectors alongwith a totally new one-the service sector. The improved dispute settlement system ensured that the voice of the developing member’s will not be ignored. So if not in quantitative terms, the qualitative achievements of Uruguay Round (UR) of trade negotiations cannot be ignored.

Human Development Report (2003)\textsuperscript{15} reveals that despite some significant recent initiatives, trade policies in rich countries remain highly discriminatory against the products produced in the poorest countries-especially in agriculture and textiles. The most important expectation of poor countries in the Uruguay Round (UR) of international trade negotiations (1986-94) was that rich countries would open their markets in these two sectors. But the results have been largely disappointing. Protection in most rich countries remains extremely high, through a variety of instruments. Most rich countries apply high tariffs to agriculture goods and simple manufacturers-the very goods that developing countries produce and can export. In agriculture, the tariffs of OECD countries are heavily biased against low-priced farm products produced by developing countries. Bangladesh
exports about $2.4 billion to U.S. every year and pays 14 per cent in tariffs while France exports more than $30 billion and pays 1 per cent in tariffs. Import quotas are a more extreme version of the same policy. Quotas on clothing and textiles are to be phased out by 2005. But in 2002, quotas still governed most of the same clothing products covering quotas in the late 1980s. This lack of progress raises doubts about the seriousness of OECD countries to meet their 2005 commitments. Another way is to pay large subsidies by rich countries to their domestic food producers. These subsidies are so large—totaling $311 billion a year—that they affect world market prices of agriculture goods, causing direct harm to poor countries. Annual agriculture subsidies in rich countries considerably exceeds to the national income of all the Sub-Saharan Africa.

Naik (2003) points out that the U.S., the EU and Japan have continued the resistance to scale down their support to domestic agriculture. These countries account for the largest chunk of domestic support and export subsidies provided by the entire developed world and distort agriculture markets worldwide. The level of support to farmers in the OECD countries has not changed since 2000. Total support to agriculture in these countries was $318 billion in 2002, up from $311 billion in the preceding year, with production linked support still dominant. What is more, the U.S. Farm Bill and the EU Common Agriculture Policy (CAP) actually promise higher subsidies to their domestic farmers than in the past even as pressure is being maintained on developing countries to allow greater market access and reduce tariffs on agriculture products. According to most experts, the negotiations so far have failed to address the crucial issues such as tariff reduction, export support,
domestic agriculture programmes and assistance to developing countries. What is worse, the rich countries follow discriminatory policies that go against the interests of developing countries. For instance, in the name of reciprocal access, the OECD countries charge much lower tariffs on imports from member countries as compared to those from poorer countries.

Economic Survey (2003-04)\(^{17}\) reveals that India’s annual average merchandise exports expansion at around 8 per cent in the latter half of the nineties was higher than the growth of overall world trade and expansion of trade of developing countries, resulting in a rise in the share of India’s exports in world exports from 0.6 per cent in 1995 to 0.7 per cent in 2000. Between 2000 and 2003, India’s exports have increased by around 32 per cent as compared to a rise of around 17 per cent in world exports, suggesting some improvement in overall competitiveness of India exports. The growth of exports has been broadly maintained in 2003, resulting in retention of India’s share in world exports at 0.8 per cent.

Dhar (2004)\(^{18}\) observed that the U.S. and the E.U. in their notifications to the committee on agriculture shows that domestic support extended by these members of the WTO to their agriculture sector remained the highest among all WTO members in the period between 1995 and 2000-01. In 2000-01, the E.U. provided domestic support, which was close to US$ 79 billion and in case of U.S. the figure was US$ 72 billion in 2001. While the former had decreased their domestic support by more than 30 per cent in dollar terms in five years, the later had increased this form of subsidy by almost 30 per cent. Also the U.S. had increased its spending on the subsidies exempt from reduction commitments and as a result ‘Green Box’ spending accounted for
around 88 per cent of its domestic support. In case of E.U., the share of exempt subsidies went up from nearly 44 per cent in 1995 to more than 50 per cent in 2001. It implies that both the U.S. and E.U. had considerable flexibility in their use of production related subsidies in the WTO because of the proportion of the subsidies that are not subjected to reduction commitment.

Gorter (2004) observed that the UR agreement on agriculture has not been defined and quantified in an optimal manner. Several categories of support are inappropriately categorized as non-distorting. A major reform is needed in the way in which the ‘Aggregate measures of support’ (AMS) - a measure for trade distorting domestic support policies – is defined and measured. These trade distorting polices were assigned to the amber box category of support. Uruguay Round Agreement on Agriculture (URAA) reduction commitments were supposed to measure domestic support, independent support due to import barriers and export subsidies. In reality, however the AMS is double counted with support derived from trade policies. Total support as measured by the OECD’s ‘Producer Support Estimate’ is often less than domestic support, as measured by AMS. If each of these calculations measured what it was supposed to measure, this would not be possible. Hence, a new amber box should be created that includes only domestic support that is trade distorting and is not conflated with trade border measures. The method of measuring domestic support through AMS is somewhat misleading and penalizes some countries. Furthermore, some green box Govt. payments induce higher production because fixed costs are covered, production risk is reduced, input market constraints are removed and
expectations are formed for more support in the future. In general, reduction commitments in URAA suffered from over-emphasis on border support in relation to the amber-box and under emphasis on green box support.

Ghosh (2004) in his paper examined that with the decline in import tariffs and quotas in recent years, India’s apparel exports have been subjected to non-tariff measures (NTM). An examination of India’s apparel exports indicates that on average nearly 46 per cent of the country’s total exports to the E.U. were subjected to NTM. The corresponding figure for India’s exports to the US is 36 per cent. The quota free trade (post 2005) would offer significant export opportunities to the Indian apparel industry. However, the extent to which India can exploit such opportunities will hinge on its ability to compete effectively with leading apparel exporters like China. Also, Indian exports currently contain lower end and low value added items, further limiting the extent of increase in exports after dismantling of quotas. Thus, with the deregulation in world textile trade, Indian textile exports growth is likely to be uncertain, although more possibility exists for increase in exports after the accession of the textile trade to WTO.

Sharma (2004) reveals that the US trade representative Robert Zoellick has already reiterated his call for the elimination of all export subsidies, but refuses to mention the equally and in many ways more harmful and pernicious protection that is granted through the ‘Green box mechanism’. EU agriculture commission Franz Fischler told a group of WTO ambassadors at the re-launch of negotiations at Geneva in mid April that the green box is by definition non trade distorting and therefore there is nothing to be cut. Developing countries need to worry about ‘green box’ subsidies because they
actually operate like an ‘income insurance’ scheme for farmers in industrialized countries. They remain insulated from the volatility of the global markets. In Illinois alone, the average income of a farmer before George W. Bush came out with the notorious Farm Bill in 2002 – averaged at US $ 37000 of which US $ 16000 came from Govt. farm subsidies. These subsidies reportedly help farmers meet their current debt-liabilities. During 2000-02, direct government payments to farmers in the US rose to 86 per cent to US $ 22.7 billion and these payments have gone even higher this year. Whether it is sugar, beef, cotton or even tomato paste, the burnt has to be borne by developing country farmers. And yet we are always told that the market is the best mechanism to ensure efficiency. The market, in reality is meant only for developing country farmers. For farmers in developed countries, the government provides the welfare cheque. The market argument is only used to force upon the developing countries to accept subsidized produce.

Sharma(2004) reveals that Monica Sandhu was adjudged the best small scale sugarcane grower for 2001 in the Entumni Hills of South Africa. She farms four acres of sugarcane and the harvests bring her an equivalent of US$ 200. Despite being a progressive farmer, she barely manages to survive. The ‘Los Angeles Times’ reported that for away in France, Dominique Fievez cultivates his farm of four hundred acres of sugar beet. His is an average farm, which has remained untouched by price fluctuations in international market since 1984. The reason: Fievez receives huge subsidy support under the European Union’s Common Agriculture Policy, at the rate of US$ 23000 for each of the 33 acres that she grows beet in such heavy subsidies not only depress international sugar prices, making it difficult for developing countries
to export, but also insure French farmers against any downslide in their incomes. On the other hand, when Monika Sandhu is faced with a drop in prices, she will first cut back on sugarcane and then abandon agriculture and move out into an urban slum. With her livelihood lost, she either lands a menial job or the chances are that she would end up committing suicide. Whether it is sugarcane, wheat or coffee, the result is same. In India, farmers in Karnataka hit by low coffee prices and a loss of markets have reportedly started taking their own lives. French farmers, on the other hand, can go off on a cruise on the Atlantic and return after the holidays to be sure to milk the income generating farms. In other words, the rich countries have perfected a well-established state intervention programme to ensure that their farmers get a minimum level of income, come what may. Markets therefore have no meaning for developed country farmers. It is only poor farmers in developing countries who are being forced to face the vagaries and cruelty of the markets. For the rich, the scandalous cover of ‘green box’ subsidies protects direct payments.

Verma (2004) observed that the process of integration of products was very slow, with the developed countries often deliberately delaying it. During first three years of inception of the WTO, the US and the EU eliminated only a handful of quota items. After eight and a half years, the following number of quotas still remained operational – 851 out of 932 in the US, 222 out of 303 in the EU and 292 out of 368 in Canada respectively. Furthermore, since MFA reform is measured in volume terms, the developed countries by passed the reform by back-loading the phase out schedule by keeping most of the high value items of clothing and made ups out of the
integration process till the end of transition period. As a result, it has been observed that about 80 per cent of the restrained imports were integrated only on the last day of the 10 year phase out schedule that is (i.e.), on 31st December, 2004. Clearly this resulted in a major loss of export for the developing countries.

Das (2005)\textsuperscript{24} opines that the GATT which is now a part of WTO and is strict on the principle of Non-Discrimination allows deviation by permitting the countries to RTAs/FTAs wherein they can give higher concessions amongst themselves without extending to others. The original intention was to enable smaller economies to consolidate their production and trade into more viable economic sizes. But over the course of time, the developed countries have used it to form economic behemoths, like the European Economic Community and North American Free Trade Area (NAFTA). But all that did not cause much concern until the major developed countries started using the mechanism to extract concessions from the developing countries.

According to Goldar (2005)\textsuperscript{25} a large reduction has been made in the level of tariff between 1991 and 2004. The tariff reform did have a significant effect on Indian Industry, but these effects cannot be attributed to India’s commitments. Two major components of liberalization to India’s commitments are (a) removal of QRs on textile imports and (b) removal of QRs on 1429 items in 2000/2001. The liberalization of textile imports has led to a sharp increase in imports of textiles in the period 2000 to 2003. But the increase in imports of textiles is small in relation to the increase in exports in this period, so that the overall effect of imports increase has been modest. As regards the removal of QRs on 1429 items, the import increased substantially in a small
number of them, uncompensated by export increase and this may have adversely affected capacity utilization in such industries. But, overall, there has been only a limited increase in the imports of 1429 items recently freed from Quantitative Restrictions (QR).

Khan (2005) in his research paper evaluates that developing countries are concerned that only the minimum requirements of the ATC are being met, and that protection may still take place through other measures. Industry experts believe that the end of quota regime would not lead to any automatic growth in exports from the developing nations, like India. Fresh turbulence in the form of pressure on prices, growing resort to protectionist measures, proliferation of bilateral arrangements, and regional grouping would crop up. Importing nations that have less competitive textile industries may come under pressure to use customs as a protective instrument. In addition to it, potential exporters like China, India and other developing nations could face measures like antidumping and anti-subsidy action, enforcement of labour and environmental standards, discriminatory application of rules of origin criteria and implementation of cumbersome documentation procedures. Indian industry experts believe that after the end of the quota regime global competition will boost and prices of fabrics and made-ups would fall. Textile exporters in India may face difficulties in accessing the EU markets, after the end of the quota regime. The E.U. has set stiff conditions on the use of chemicals in textile products. It is asking its companies to factor in labour and environmental concerns, an agenda that the EU had failed to push through into the multilateral trading system, during talks under the WTO. The EU is also contemplating the imposition of fresh quotas following accession of ten
new countries into the E.U., despite the fact, that quotas have to be eliminated post Jan 1, 2005. The EU maintains that the move is not incompatible with ATC and additional quotas are due to the enlargement of EU and is a part of the overall package for consideration. However, the EU is considering India’s request to provide the flexibility of carrying forward unused quotas, despite the end of the quota regime.

Khan (2005)\textsuperscript{27} found that India’s export performance is not that heartwarming so far. Over the last decade, its share in the global textiles and clothing trade has hardly shown any significant improvement. From 1995 to 2002, India’s share in the textiles trade improved from 2.88 per cent to 3.73 per cent and in clothing from 2.60 per cent to 2.68 per cent. Indian textile sector has the potential to reach a size of $85 billion by 2010, from the current size of $36 billion at an annual growth rate of 11 per cent. According to a study crisil, this growth could be fuelled by both exports as well as by a rise in domestic consumption. It reckons that textiles exports could well touch $40 billion by 2010 from the $11 billion in 2002-an average annual growth rate of 18 per cent, raising India’s share in the global textile and clothing trade from three to six per cent.

According to Kumar (2005)\textsuperscript{28}, Director, Fitch Ratings, the Indian textile industry is expected to be one of the biggest winners of the withdrawal of the MFA. Fitch has estimated that the India’s potential benefit is around 8.4 per cent of current external receipts, thanks to its low wage costs and access to domestically produced fabrics. However, the study sounds a note of caution-the window of opportunity is closing soon and the status quo export growth is likely to be only 8 per cent per year if such reforms are overlooked.
Independent reports commissioned by the United States International Trade Commission (USITC) and the WTO also contribute to the growing international recognition of India as one of the major beneficiaries of the ATC.

Mathur (2005) concluded that India’s service trade since the Uruguay Round (UR) of agreements on services (GATS) had grown considerably. From US$ 6.8 billion exports in 1995, India’s service exports had increased to US$ 24.9 billion in 2003. India’s share in world trade in services is higher than its share in world trade in goods.

Pal (2005) in his paper outlines, whether or not the quota growth had represented a significant liberalization is disputed. The EU, Canada and U.S argue that the quota growth is sufficient to render the quotas de facto non-binding by the end of ten year period for most of the restricted items, while a number of restricted members complain that quota increases have not significantly improved market access so far. Turning to the integration process, it is fair to say that progress has been limited. Stage I brought the integration of one single restricted product by one country into the GATT, so was in stage II i.e. unrestricted products were integrated. When the third stage was reached, the opportunity to integrate products that previously had not been restricted under the MFA had been exhausted. The Textile and Monitoring Body (TMB) observed that there was a tendency to integrate products where quota utilization was low. Further the extensive use of the safeguard measures had contributed to the perception of lack of will to liberalize. No less than 33 requests for consultations were registered from January 1995 to July 1997; 26 from the US and 7 from Brazil. Most of the measures were found to be unjustified when challenged by TMB (or by the
dispute settlement body in some cases). During the second stage there were 29 requests for consultations regarding safeguard measures. No requests were made during the year 2000 and it appears that recourse to safeguards has declined, particularly among the members that carried MFA constraints into the ATC. The most probable reason for this is that TMB’s findings have clarified the criteria for using safeguards and that this has discouraged unjustified cases.

Banerjee (2006) analyses that the negotiation system under GATS is seriously flawed, thereby impeding the scope of market liberalization. First, given the fact that commitments are negotiated on a sector by sector basis and then followed by a mode by mode analysis in each sector, even a bilateral negotiation involves huge time and, consequently, significant transaction costs. Furthermore, having a balance of concessions in the GATS between countries in a multilateral framework becomes difficult, as member countries often don’t hold a reciprocal interest in each other’s markets. Second, since under the MFN framework, the offers are not member specific, but multilateral, that is any market concession to a WTO member is extended to all members, the free rider problem plays a major role here. Therefore, it makes sense for the countries to understand their own offers but to wait and gain from others offer’s. As a result of this kind of ‘mutual non-cooperation’ the concessions on market access, negotiated at the GATS always remain sub-optimal.

Chakraborty (2006) concluded that with the formation of new regional trading blocks, there had been a shift in the market share for the U.S. towards Mexico and the Caribbean countries. Similarly, Europe now looks towards its
eastern neighbours, all at the cost of Asian exporters. And with the complete dismantling of quotas, India’s competition from South Asian countries is also likely to be more stringent. Ecological and social awareness are likely to result in increased pressure on the industry to follow, international labour and environmental norms. Therefore, it is very important for the Indian textile sector to value add to its existing products. The quality of raw material, processing, packaging and storage needs a quick upgradation. Product diversification and exploring new market also becomes critical. Only then would the textile and clothing sector in India be able to successfully respond to post-2005 challenge.

Dubey (2006), concludes that the elimination of export subsidies is unlikely to result in either any improvement in India’s competitive position in the world market or in lessening the impact of cheap imports of agriculture products. The elimination will help only those countries like Argentina, Brazil and China, which by virtue of the efficiency of their agriculture sector, have the capacity to overcome the barriers of domestic subsides given by major developed countries and thus place themselves in a position of close competition with these countries. For them, even the little advantage provided by the elimination of export subsidies can make a difference at the margin. But this marginal advantage will be of no practical value to India, which is relatively high cost producer of agriculture products.

Dhar (2007) found that in the period since the agreement on Agriculture (AoA) has been implemented; there is little evidence to show that the AOA had any meaningful influence on the markets. The major players in the global agriculture markets have continued to give large doses of subsides
to their domestic agriculture. If anything has changed during the past six years, it has been the degree to which these countries have targeted the use of subsidies. Data on implementation of AOA in respect of major food crops, have established the fact that several WTO members were using subsidies to strengthen their position with the objective of gaining enhanced access in the markets that were opening up. A result the prices of agriculture commodities were found to have declined quite steeply, quite contrary to the expectations prior to the implementation of AOA. Countries like India had expected to gain from the implementation of the AOA since the withdrawal of the subsidies by major players in the global agriculture market was to bring about rise in prices of agriculture commodities which would have benefitted the low cost producers in the developing world. The prospects of any significant disciplining of agriculture subsidies by the two key players, the U.S. and members of the E.U., don’t look very promising. This is particularly true of the U.S., which has unveiled the new Farm Bill Proposals in Jan. 2007. These proposals indicate that the U.S. could, in fact, increase farm subsidies, particularly on the green box measures between 2008 and 2012. The global community would therefore have to wait considerably longer for the removal of policy induced distortions in agriculture markets.

Trade Policy Review (2007)\textsuperscript{35} revealed that India has a current share of only 1 per cent of global merchandise exports. In 1995, this share was much less. However, it has been subjected to a disproportionate number of trade defense actions. For instance during the period January, 1995 to June 30, 2006, Indian products have been subjected to 124 out of 2938 anti-dumping actions initiated globally, which amounts to more than 4 per cent of the total.
These 124 initiations resulted in measures being taken in 69 cases (55.6 per cent). The large scale initiations of anti-dumping action, led to considerable disruption and loss of trade. Out of 69 measures, 15 each relate to chemicals and plastics, 8 to textiles and 22 to metal products-areas in which India has gained some measures of comparative advantage globally in recent times.

According to Chakraborty (2008)\textsuperscript{36}, there is sufficient evidence to demonstrate that the promised agriculture liberalization, which accounted for the bulk of the market access liberalization promised in the Uruguay Round (UR), has not happened. Rather, perversely, using exemptions, export subsidies on agriculture products in developed countries became higher after the UR began to be implemented. The quantitative restrictions (QRs) have been converted into artificially high tariff equivalents, referred to as dirty tariffication. Like the case of industrial products, there are specific duties, high peak tariffs and tariff escalation. The Tariff Rate Quotas (TRQs) have led to a huge tariff divergence on both sides of the threshold. Exemptions have been freely used to violate the spirit of AMS liberalization. While negotiations on subsidy questions may seem to be independent of the market access component, the two are actually related, since subsidies distort markets that are sought to be thrown open.

Chakraborty (2008)\textsuperscript{37} outlined that in case of textiles, the pre and post quota figures for China were 10 and 12 per cent, respectively, and the corresponding figures for India had been 9 and 11 per cent. However, for clothing products, China’s gains from quota removal (18-29 per cent) are much higher, as compared to India’s (6-9 per cent). A mixed scenario is observed in the US market, where India and China stand to gain most from
the MFA phase out. In the case of textiles, India’s share remains unchanged at 5 per cent, China increased its share from 11 to 18 per cent. India’s performance is much better in the clothing segment, where its share increased from 4 to 15 percent, although it looks modest in comparison with the same for China (16-50 per cent). In short, both in the case of the E.U and the U.S., most of India’s projected gains would be in clothing, not textiles. During the post MFA-period, the exports from China registered such a high growth rate that the E.U and U.S. seriously considered re-imposition of import quotas against Chinese products for some time, but later remained satisfied with ‘corrective measures’ only.

Rahman (2008)\(^{38}\) analyzed that during 1986-88 (Base year of WTO), the international prices of most agriculture products were more than India’s domestic prices. Then, India was expecting stability in international agriculture prices due to reduction of subsidies by the developed countries under WTO commitments. But, international agriculture prices, except for paddy, have declined and now India’s domestic prices are more than international prices. India’s competitiveness in agriculture export has been lost. The share of agro products in India’s total exports has not increased during the post WTO period (1995-2005).

Biswas(2009)\(^{39}\) found that the total merchandise exports of India increased from US$ 17969 million in 1990 to US$ 42295 million in 2000 and further to US$ 49251 million in 2002 which means that total share in world exports rose from 0.52 per cent to 0.67 per cent and again to 0.76 per cent in those years. However, in case of China, its share in world export increased by 1.80 per cent to 3.92 per cent and again to 5.04 per cent in the same years. If
we consider the service sector, the total service exports of India increased from US$ 4610 million in 1990 to US$ 17670 million in 2000 and further to US$ 24553 million in 2002 i.e. as percentage it increased from 0.61 per cent to 1.23 per cent and further to 1.62 per cent. In case of China it increased from 0.77 per cent to 2.11 per cent and again to 2.61 per cent in the same years. All these reflects that there was no significant improvement in merchandise exports during nineties and in the early years of 21st century, however exports of services indicated a significant improvement over the same periods. Thus Indian performance in service sector is much better. If we sum up the export figures of both sectors then it indicates that Indian export increased from US$ 22579 million in 1990 to US$ 59965 million in 2000, further increased to US$ 73804 million in 2002 (as percentage India’s share in world exports increased from 0.54 per cent to 0.77 per cent and further to 0.93 per cent during the same period).

Sen (2009) analyzed that under WTO, the Indian foreign trade has undergone significant changes in its composition, direction and quantity. But during 1995-98 i.e. in the initial three years of WTO, the volume of trade actually declined. Of course it picked up later, but analysis of the balance of trade shows that India’s export could never match the value of her imports throughout the period of economic reforms though one of the basis expectations from the WTO was quantum jump in the volume of exports. In fact the export-import gap is rising and therefore safeguards measures needs to be taken. The global economy has expanded at a higher rate since the inception of WTO but in order to be a partner of this growth process, India requires removing the supply constraints existing in the sphere of foreign
trade. On the demand side, emphasis must be on removal of numerous trade distortions and market access barriers still very much persisting in the high rich countries. On the whole, it appears that the multilateral trade mechanism under WTO has benefitted Indian economy only to a limited extent. Sector wise also, it is observed by the Human Development Report (HDR) 2003 that ‘the most important expectation of the poor countries was that the rich countries would open their markets in textile and agriculture. But the results have been largely disappointing. Protection in most rich countries remains extremely high, through a variety of instruments’.

Varadarajan (2009)\(^1\) found that Indian exports have registered strong growth over the past decade, growing from $18447 million in 1990-91 to $21588 million in 2001-02. The growth in exports over the decade was spread across all the major commodity categories. India’s exports of agriculture and allied products have increased by about $40 m from 1998 to 2001. However, the share of agriculture in total exports has fallen from about 18 per cent in 1998-99 to 14 per cent in 2000-01. The share of agriculture exports was 30 per cent in 1990-91, which had declined to 22 per cent in 2001-02.

Sheshagiri(2011)\(^2\) in his research article observed that as regards tariffication, there is misconception that India is reducing import duties on agriculture products under WTO compulsions. As a matter of fact, the actual import duties on a variety of agriculture products are lower than the tariffs under WTO. Further, the liberal trade policy helped the exports to increase in absolute terms during post-WTO period and importantly increased their share in world exports both in terms of quantity and value. In the context of fears expressed in some quarters that liberalization of imports would lead to surge
of agriculture imports affecting Indian farmers adversely, the economic survey, 2001-02 revealed, “India has considerable flexibility to counter flooding of Indian market by cheap agriculture products which provide a fair level of protection. The Govt., in fact, raised the import tariff for many agriculture products such as tea, coffee, pulses and edible oils in the 2001-02 budgets. Countervailing duties can also be imposed to counter surge of imports. Contrary to India’s expectations from WTO agreement on agriculture, the tempo of growth in agriculture exports of India could not be sustained after 1996. Agriculture exports of India took a downturn during 1997-2002 in absolute terms. From 2002 there was revival in India’s agriculture exports.

According to Sharan (2011) the effectively applied tariffs have come down by 33.7-50.6 per cent among the developing counties and by 51.5-53.2 per cent among the developed countries during 1994-2005. Moreover, some of the Non-Tariff Barriers (NTBs) have been brought under control. If the trade barriers are fully brought under control and the merchandise trade is fully liberalized, the welfare gains on this account may touch $ 280 billion a year by 2015, out of which $ 86 billion will accrue to the developing countries. But the trade barriers are still quite high. The overall trade restrictiveness index (OTRI) in 2005 was 11 per cent in high income countries, down from 12 per cent in 2002. It was higher at 20 per cent among the low income and least developed countries. The important reasons are that the use of NTBs in the form of technical barriers almost doubled from 31.9 per cent to 58.5 per cent during 1994-2004 and the anti-dumping measures were more frequently used by the developing and developed countries.
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