CHAPTER - I

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Established in 1995, the World Trade Organisation (WTO) administers the Trade Agreements concluded by its member countries in particular, the General Agreement on Tariffs and Trade Agreement on Trade Related Intellectual Property Rights and the General Agreement on Trade in services. By the end of 2000, the total membership of the WTO is 141. The underlying philosophy of the WTO is the open markets, non-discrimination and global competition in international trade, which are conducive to the national welfare of all countries. The rationale behind the organization is that political constraints prevent governments from adopting more efficient trade policies, and that through the reciprocal exchange of liberalization commitments these political hurdles can be overcome. The main objectives of WTO are to: (1) strengthen the relations between the member countries in the areas of trade and development; (2) ensure full employment and steer growth in real incomes and effective demand; and (3) ensure the full use of the resources of the World to the advantage of all the nations.

India is always in favour of multi-lateral trade agreements and participation in the world trade. Hence it became a member of the WTO. After entry into the WTO, there has been hottest debate and discussion across the nation on the implications of WTO on Indian economy. In fact, the WTO has
Its deep impact on three vital areas of Indian economy: (i) agriculture, (ii) textile industry; and (iii) pharmaceutical industry. In agriculture sector the impact of WTO is on three aspects: (1) Reduction of domestic support in the form of subsidies; (2) minimum market access commitment; and (3) possibility of disbanding the public distribution system. In the context of Textiles, its impact would be: (1) The Multi-Fibre Agreement; (2) The negotiated quota would increase substantial growth in the textile industry during different stages; (3) the tariff system to replace the quota system after 10 years; and (4) The Textile Industry would gain and synthetic fibres might lose.

It is argued that the WTO would have serious implications for India, which mainly depends upon agriculture not only for the livelihood for the vast majority of people but also for income from exports. The most significant aspects of WTO's impact on the Indian agricultural sector are; the Agreements on the Technical Barriers to Trade (TBT) and the Sanitary and Phyto Sanitary (SPS) measures which essentially effect the quality of competitiveness of the agricultural products of the country.

The main objective of the Agreements with the WTO on the agriculture is to reform trade in the agriculture sector and to make the agricultural policies more market-oriented. After the agreement with the WTO, India along with several developing countries has opened up its agricultural sector and the same is the case with the Industrial Sector.
The WTO left no sector or aspect of Indian economy and under its impact the entire economy of the country has been undergoing radical changes. The situation that emerged during the post-WTO period triggered extensive debate on the implications of WTO on the Country's economic life. There has been a sharp difference in the opinion of different sections on the impact of WTO on various sectors of the country's economy. It is evident that the discussion on the WTO's impact has gained momentum because of the fact that India is one of the developing countries on which the impact of WTO could be most striking. Further, India's economy is influenced both positively and negatively by the WTO, as the evidences suggest. As is evident the WTO Agreements offered both opportunity and challenges to the Indian agriculture as well as Industry. The food processing industries and production of certain fruits, vegetables and cereals gained prominence after the introduction of WTO's Agreements. The prospects of Textile Industry also made much headway in the post-WTO period.

In contrast, it is widely felt that the experience of India with the WTO so far, proved harmful to the interests the Country, particularly to the agriculture. The Trips also have gone against the interests of the Indian agriculture. Hence some forcefully argue that the agriculture should be removed from the free trade regime of the WTO. In India, the textile trade was governed by the Multi-Fibre Agreement introduced in 1974. This Agreement was dismantled under the Agreements of the WTO. This has
Increased the exports of Textiles from the country. In order to face the international competition, it has become highly imperative to upgrade the technology involved in the production of cloth. The Government of India has already initiated necessary measures for the upgradation of Textile Technology for improving the quality as well as the quantity of textile products. The Government has also announced a new Quota policy on the textile sector to meet the requirements imposed by the WTO in this field. This policy aims at maintaining the continuity and stability in the exports of textile products and enable the textile produce to meet the challenges posed by the WTO regime.

As a founder member of the WTO, India is committed to implement a number of provisions relating to the Agreements on Agriculture (AOA). These include the commitments on market access, domestic support and export subsidies, the agreement on sanitary and phyto sanitary measures etc. As a result of these Agreements, all the quantitative restrictions are to be abolished and non-tariff measures to be replaced by the tariff measures during the period between January, 1995 and 31st December, 2004. Further, the minimum export access quota is to be expanded to 3 per cent of the total domestic consumption by 31st December 2004. However, there are certain protection nets in the form of customs duties, anti-dumping clauses, availing dumping rights etc., available to India as to the other members of the WTO.
On the whole, it is argued by several experts that the Indian agriculture is going to be influenced by the WTO Agreements, both positively and negatively. Basing on the available data on the impact of WTO on the Indian Agriculture the experts are of the view that the total aggregate measurement support (AMS) stipulated by the WTO Agreements did not affect the Indian Agriculture as the total Indian AMS is far below the prescribed limits. However, few scholars assert that the food industry in the developing countries including India is adversely affected due to the liberalization of agricultural trade under the WTO regime. But there are also scholars who argued that India would be benefited from its participation in global trade in agriculture. Their expectations are based on the expected rise in the prices of Indian agricultural products internationally.

The WTO made the following provisions to promote trade in agriculture which is applicable to India.

1) All the non-tariff barriers like quantitative restrictions (quota) would be converted into tariffs;

2) The reduction of tariffs in agriculture products will be implemented over 6 years for developed countries and more than 10 years for the developing countries, effective from January 1, 1995;
3) Countries with closed markets will have to impart 3 per cent of agricultural products of domestic consumption. This share has risen to 5 per cent with effect from January 1, 1995;

4) Trade distortion of support for farmers was reduced by 20 percent over the 6 years for the developed countries and 13.3 per cent for the developing countries;

5) The value of direct subsidies was reduced by 36 per cent and volume wise by 21 per cent during the first 6 years; and

6) The poorest nations are exempted from all these provisions of farm products.

An analysis of these provisions of the WTO makes it clear that as a predominantly agricultural Country, India’s experience with the WTO is both positive and negative due to the nature of these provisions. India is permitted to continue subsidies on agricultural imports since its per capita income is less than 1000 US dollars per annum. Further, adequate time is given to India to adjust her imports, which help to minimize the structural problems in the balance of payments. The WTO also ensured that Indian farmers need not keep a portion of their agricultural out puts for the purpose of seeds. However, the WTO restricted the Indian farmers from adopting seed production as their occupation.
There has been abundant literature on the World Trade systems, which is fast changing after the establishment of WTO in 1995. Further, there is sizeable amount of research on the World Trade Systems before the existence of the GATT and WTO. For Example T.De Melo and A. Pangaguriya's work provides interesting and valuable information on the historical background of the GATT. Similarly, Richard Gardens study also presents a detailed analysis on the motivation and processes underlying the consideration of the post-war international economic institutions including the GATT. An Indepth treatment on globalization can be found in the study conducted by Peter Dickens. Keven O Rourke et al attempted to analyse the extent of integration of trade among the nations before the World War II. The theoretical economic literature on the WTO can be found in the study of Kyle Baywell and Robert Staizer. An analytical and systematic analysis on the structural aspects of GATT and its successor WTO can be found in the volume edited by John H. Hackson, Bhagawati and Mathia and also in the expositions of Richard Blackhurst, A. Krueger and so on. Further, the various Official Documents, regularly published by the GATT and WTO shed ample light on different aspects of these two organisations.

The settlement procedures followed by the WTO is another important aspect on which there is a huge body of literature. A detailed description of the procedures followed by the WTO in different activities is included in the works of David Palmeter and Petros C. Mavropodos and Thomas
Sehoenbaum. Further, an exhaustive account on the dispute settlement mechanism of GATT can be noted in Robert Hudec's scholarly study.

There are sources of excellent information on the WTO's Agreements on certain specific sectors, which include agriculture, Textiles and so on. Some of the worthwhile studies which focus on these aspects include: the study of Tim Joslings on: Agriculture in the Next WTO Round. Jefforey Scholls contribution on WTO after Seattle, Kyon Andersons book entitled: Bringing Discipline to Agriculture Policy Via the WTO, Bernerds Hockman and William Martins edited volume titled: Developing Countries and the WTO and so on. In the case of Textile Trade the scholarly works relate to those of Carl Homilton, Vinod Agarwal and so on.

A very crucial issue relating to the WTO, which drew, extensive scholarly attention is the Intellectual Property Rights whose Protection is the primary task of WTO. The important works which focus on this vital area are those of William Walker, A. Jane Bradley, Carlos Primo Barga David Sould and William Gruban, Keith Maskns, and others.

Much has been written on the experiences of the developing countries with the WTO and also on the impact of this Organization on the economics of these countries, the most important studies on this specific area include those of T.N. Srinivasan, M. Finger and A. Olechowsk (eds.) John Whalley, William Martin and Alan Winters (eds), Anne O Krueger, etc.
In the Indian context, there has been a growing body of literature on the role of India in the working of WTO, the impact of WTO on different sectors of Indian Economy, the response of Indian Government to the various Instruments and Agreements of WTO, the changing position of India in the world trade after the emergence of WTO and so on.

**OBJECTIVES OF PRESENT STUDY**

The present study aims to examine various aspects of the WTO. However, the main focus of the study is on the impact of the WTO on Indian economy with particular reference to the Agricultural and Textile sectors. Further, the study also focuses on the Structural Adjustments Reforms of 1990s decade, which the Government of India was forced to take up under the Pressure of globalization process particularly, the situation emerged after the advent of the WTO.

The specific objectives of the study are as follows:

1. to examine the circumstances which led to the emergence WTO, its objectives, organisational setup; different organs and their working;

2. to analyses the contents of various Agreements of WTO which are mainly related to India with particular reference to the Agricultural and Textile sectors and the Indian response to these Agreements;
(3) to assess the impact of WTO Agreements on the Agricultural Sector of India;

(4) to estimate the implications of WTO Agreements on the Indian Textile Industry;

(5) to evaluate the overall impact of WTO on the Indian economy and the process of transition of Indian economy during the post-WTO period; and

(6) to study the Structural Adjustment Reforms initiatives of Government of India and their implications for Indian economy.

METHODOLOGY

The present study is basically a descriptive and also an analytical work. Keeping in view the nature and scope of the research problem, the researcher tried to converge the secondary sources with the techniques of empirical research for collection of as much data as possible for the study. The main sources of data collection are: various official and non-official documents which include the Reports WTO and GATT and their related organizations, the Reports of various Departments of Government of India, the Reports of the International Agencies such as the WTO, World Bank and so on, the Reports of various National and International Commissions, statistics compiled by the national and international research institutes, and other agencies. The Acts, Agreements, Instruments, News Letters and other materials published by the
GATT, WTO, World Bank, and other related international agencies were extensively used for the collection of relevant data for the study. Other important sources of information for the present study include various books and periodical literature published on the WTO, GATT, International Trade, Indian economy and other related aspects. A vast number of books published on the WTO and its consequences for the foreign trading of various countries were consulted for the collection of data. The important periodicals which were extensively consulted for the purpose of present study include: Economic and Political Weekly, Public Opinion, Focus, Yojana, The Management Review, and so on. A huge number of articles published in all these journals on various aspects related to the present research problem were referred to for purpose of the present study.

In view of the vast scope of the present study, the researcher has also depended upon other sources for collection of data, besides the documentary sources mentioned above. The researcher used certain techniques of empirical research for the collection of data, particularly qualitative data. The aim in using these techniques is to supplement the information collected from the documentary and other secondary sources. The researcher has the privilege of meeting and interviewing a number of academics like the faculty of Universities, Research Centres and institutes etc., who are specialised in the related fields such as the industrial managements, agricultural economics, International Trade, WTO and its activities and so on. Apart from them, the
Officials of selected Government Departments at the Union level, representatives of Chambers of Commerce, Chief Executives of various Industries and business firms, few important Trade Union Leaders and also various leaders of Peasant Organisations, Industrialists, Business men, leaders of various Political Parties etc., were also interviewed by the researcher during various periods. These interviews are both formal and informal. The aim of these interviews is to collect information which is necessary for assessing the implications of WTO on the Indian agriculture and industry including the textile industry. Further, these interviews held to ascertain the views and perceptions of a cross section of people on the impact of WTO Agreements for Indian industry and agricultural sector. These interviews with different categories of respondents have brought life to the statistical data collected from various documentary sources.

Further, the latest sources of information such as Internet, Web sites etc, are also made use of extensively for the purpose of the data collection.

SURVEY OF LITERATURE

In the following pages an attempt is made to survey some of the important scholarly studies on the working of WTO and its impact on Indian economy, particularly on agriculture and Textile Industry.

According to the study entitled "Competition Policy: India and the WTO conducted by Adyatya Bhattacharya, the Competition Bill which is before the
Indian Parliament has assumed an international dimension as well as a new sense of urgency in view of the decision made at the WTO Ministerial Conference at Doha. The study also examines the concerned Bill and the working of India’s competition policy in relation to the international practice and the likely direction of the eventual WTO negotiations after 2003 and arrived at certain crucial conclusions.¹

In his article on: Preparing for Doha WTO Meeting, Ipali Wichramasingha maintains that the upcoming WTO ministerial meeting at Doha will be considered to have been of benefit to developing countries. These negotiations move towards achieving a balance between liberalization and particular development requirements. Further, the third world countries would do well to forge broad alliances and workable coalitions among themselves in this regard.²

Analysing the impact of World Trade Organisation on the Third World Countries, Sankaranarayanan pinpoints the fact that the Indian Government recently made a strong plea for unity among the poor countries for safeguarding their trade interests in the event of the WTO. He regretted that the Doha Agenda negotiations were “a two-track process, with our concerns always on the slower trace”. All eyes are now focused on the Ministerial Conference held at Cancun (Mexico) where the developing countries took a firm stand.³
Hanumantha Rao highlights in his article on: “WTO and Viability of Indian Agriculture”, that the Indian experience during the 1990s clearly demonstrates that apart from trade liberalisation dampening the performance of agriculture, the lack of public investment and effort has been responsible for failure to benefit from the trade liberalization by stepping up and diversifying agricultural output in a cost-effective way.  

In his article on: “WTO and its Impact on Indian Agriculture”, Subah Singh Yadav concluded that the establishment of World Trade Organisation is an important landmark in the history of international trade. The WTO Agreements on the agriculture has brought agriculture effectively for the first time under the discipline of a multilateral trading system. The trading arrangements evolved by WTO are a judicious mix of indicative, suggestive and restrictive measures.

Bhattacharya’s study concerning the: “Global Competitiveness of Indian Agriculture” demonstrates that the global competitiveness of select Indian commodity groups indicates that these are currently price competitive in the global market. However, this is not enough for the promotion of quality governance which will emerge as the single most important determinant in future.

As noted by Sahal Suman in his: TRIPS Review: “Basic Rights must be Restored”, there is broad consensus that TRIPS in its present form is unacceptable because it violates the fundamental rights of people. Civil
society organizations across the world are mobilizing opinion to intervene in the TRIPS review process.

The study on: "Legal Factors in TRIPs", by Nilima Chandramani emphasizes that to ensure the patent abusive situations, such as the ones that occurred in South Africa, do not repeat themselves. The member countries of the WTO must draft balanced domestic patent legislations based on a rational interpretation of the TRIPS Text.

In his study on: "Globalisation: Hopes Realities and Coping Strategy", Vyas attempted to analyse the multi-farious characteristics of globalisation. In his opinion globalization influences the culture as much as the economics of nation states. He asserts that while most of the attention has focused on economic integration globalisation is seen to be leading to cultural hegemony. He also notes that the homogenization of diverse cultures certainly makes humanity poorer tentatively, haltingly, a universal conscience is beginning to take shape.

Focusing on the social dimension of the WTO, Sreeram Chanulla assumes that the Social clause in the WTO Agreements as an issue related to international competition and trade has a rich history and has been pursued by us ever since the pre-Tokyo GATT rounds. It is a necessary today because of the prospect of labour standards becoming a formal instrument of trade policy through incorporation in the Agreements of WTO.
T.C.A. Anant's study on: India and the WTO, emphasizes that the consequence of the Government's approach towards the WTO and to trade negotiations is to create a self-fulfilling economy. The flawed rejectionist approach to negotiations along with the absurd threats would adversely affect the country's own immediate trading concerns, and end up with agreements which do not meet our concerns and which we are ill-equipped to implement.11

It is strongly argued by Chandrasekhar and Geeta in their study that after a decade of the initiation of economic reforms, the full impact of the obligations under the terms of WTO Agreements on agriculture and trade reforms in general is being felt by the developing countries including India. Further, as they noted, the non-tariff barriers, according to the author, have emerged as a major means. These were instituted in January 1995 under the aegis of the World Trade Organisation (WTO).12

Nitya Nanda who attempted to analyse the impact of WTO asserts that in the Developing Countries, opposition on trade facilitations is based primarily on their inability to shoulder more obligations and the strong likelihood of the WTO getting overburdened. He further, argues that there are other possible implications and that the case for promoting trade facilities in developing countries is not well established, given the remarkable differences in their levels of development.13 In the opinion of Peter Naray who examined the WTO's implications for business the WTO Agreements are increasingly
being adopted as national trade laws. Businesses can help shape the rules as they develop – if they are committed to dialogue.\textsuperscript{14}

The study of Saman and Mukherji reveals that the WTO negotiations so far have shown that when countries forge alliances they can generate synergies and become powerful players. The EU, and the African Block have emerged as influential groups within the WTO. It is also observed in this study that several factors have stalled the evolution of a common position among the South Asian Countries. The regional politics and antipathies, the economic disparities in the region and the temptation of individual countries to overcome the domination of developed countries in return for trade favours are detrimental to the regional interests.\textsuperscript{15}

In his article on: Agriculture, India and World Trade Organisation Rakesh Singh focuses on the major Agreements that were concluded in the Uruguay Round of negotiations signed in Marrakesh in April, 1994. It is argued that the Indian agriculture will be benefited immensely with the developed countries complying with the WTO norms. But, as the study notes various questions are being raised about India's preparedness to globalise its agriculture. It becomes imperative for us to explore few basic questions regarding AOA.\textsuperscript{16}

A recent study conducted on the "WTO: Heavy Baggage for Cancun", concludes that the two year long serious negotiations among the officials of 146 countries at the WTO's Headquarters in Geneva have left all the core
areas included in the Doha Development Agenda, with the exception of TRIPs. Further, the public health issue is still far from agreement. As the study pinpoints these issues are left to the Ministerial Meeting to be held at Cancun. The results will be judged by the final outcome on these issues such as the agriculture, non-agriculture market access and the four Singapore issues.17

While examining the impact of WTO on India and China, Pradeep Agarwal and Pravakar Sahoo focused on the implications of China's accession to the WTO in terms of its impact on the country's exports, imports and foreign investments in the Multi-National Companies. The study also analyses the likely effect of these developments for the Indian economy. On the basis of their evaluation these authors assume that in case of China, the changes consequent to accession to the WTO increased the economic activity, leading to a higher GDP growth rate: In the case of India as the study argues the Chinese challenges can be met only if the competitiveness of Indian economy is strengthened further by undertaking additional reforms and improving infrastructure facilities.18

In his paper on: "Doha Declaration and Agriculture in Developing Countries" R. Thamarajashi assumed that WTO's Agreements on Agriculture negotiated as apart of the Uruguay Round and signed at Marrakesh in 1994 would lead to the emergency of export markets in the developing nations for their product in the developed countries. The author also noted emphatically
that in the past six years, however, these countries found that the inequities exist in the Agreements are not conducive to their interests. These concerns were voiced at several meetings and the WTO was urged time and again to first attend to these implementation issues before widening the scope of the WTO at the Fourth Ministerial Conference. 19

ORGANISATION OF DATA

The present Thesis is divided into 8 Chapters.

First chapter, being the Introduction Chapter provides an overview of the genesis, objectives, structure, activities and other related aspects of the World Trade Organisation (WTO), to which the present is related. It also states the objectives of the present study, the methodology used for the collection of data, and also reviews some of the important studies on the WTO and so on.

Second chapter presents a detailed picture on the Industrial Sector in India. The main features of Indian industry, the position of industries before independence, the process of Industrialisation and industrial development achieved by India, after independence were discussed in this chapter. Further, the policies initiated by the Indian Government for the development of Industrial sector, and the impact of new Economic Reforms introduced during 1990s on the industrial sector are also examined in this chapter.
Third chapter is devoted to genesis and objectives and also the Agreements of the WTO. In this chapter the emergence and functioning of the GATT which was the predecessor to the WTO, the circumstances that led to the formation of WTO, the efforts and role of various Governments in the creation of WTO were discussed in a detailed manner. Further, the objectives of WTO its organisational structure and operations the various Agreements signed by the member countries, the Ministerial Conferences held so far in different countries so on are discussed in this chapter.

Fourth chapter deals with the Structural Adjustments Programme initiated by the Government of India during early 1990s decade. The circumstances that led to the introduction of these adjustments, the important aspects of these reforms, and their implications for the country's economy are analysed in this chapter. This chapter also focuses on the role of WTO in the taking up of these reforms.

Fifth chapter concerns with the pattern of agricultural development in India and the impact of WTO on this sector. This chapter examines the development of agricultural sector taken place during different periods under the various agricultural policies of the Government of India, the various Agreements of WTO related to the agriculture, and the changes experienced by the agricultural sector as a consequence of these Agreements. The problems confronted by Indian agricultural sector under the impact of WTO are also presented in this chapter.
Sixth chapter attempts to assess the impact of WTO Agreements on the Indian Industry. This chapter focuses on the gains as well as losses accrued to the Indian Industries on account of the implementation of various Agreements of the WTO. Finally, this chapter projects the present position of Indian industry in a detailed manner.

Seventh chapter explores the impact of the WTO on the Indian Textile Industry. The growth of the textile industry in India, its main features, the policy of the Government of India towards the Textile Industry and its consequences are discussed in this chapter. Besides, this chapter presents a vivid account on the WTO Agreements relating to Textile Industry, their implementation and the impact of these Agreements on this industry in India. Finally, the present position of Textile Industry the imports and exports position relating this industry and the various problems faced by it also figure in this chapter.

Eighth chapter which is the conclusion chapter presents a summery of findings of the study. It concludes the entire discussion on the different aspects of WTO made in the earlier chapters.

REFERENCES


