Chapter — 6

SUMMARY AND CONCLUSIONS
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The principal purpose of this chapter is to appraise critically the various aspects of the WTO that have received attention in the earlier chapters.

Globalisation has come to stay:

Globalisation has defied national and political boundaries. The national economies of various countries have been integrated in the process. Rules and regulations relating to trade exchanges and foreign investment have been liberalised under the impact of globalisation.

Globalisation offers benefits:

The process of globalisation has enabled cross country free flow of information, ideas, technologies, goods, services, capital, finance and people. As a result, there are lower prices, more employment and a better standard of living in these developing nations. It is feared that some developing regions progress at the expense of other developed regions. However, such doubts are futile as globalisation is a positive-sum chance in which the skills and technologies enable to increase the living standards throughout the world.
Some of the beneficial arrangements are related to the substantial reduction in tariffs and other barriers to trade and to the elimination of discriminatory treatment in international commerce. They set procedures for settling disputes, they prescribe special treatment for developing countries. They require governments to make their trade policies transparent by notifying WTO laws in force and measures adopted, and through regular reports by the WTO secretariat on their trade policies.

**Uruguay Round - The most ambitious trade negotiation:**

A new negotiating round, called the Uruguay Round, was announced in September 1986. It was the most ambitious trade negotiation ever held. The ministers were able to accept a negotiation agenda, which covered virtually every outstanding trade policy issue, including the extension of the trading system into several new areas, notably trade in services and intellectual property. Traditionally, the GATT had only covered trade in goods and established rule based multilateral trade in the form of administered protection.

**Outcomes of Uruguay Round:**

The Uruguay Round concluded agreements relating to reduction in global tariffs by one-third over ten years, reduce protection in agriculture through conversion of all barriers to trade over six years, conversion of all barriers to trade in clothing and
textiles to tariffs over fifteen years phasing down of trade distorting subsidies, increasing the authority of the GATT dispute settlement system and establishing multilateral trade rules for the liberalisation of trade in services.

However, the loss of opportunity in textiles could be made up in other goods. The liberalization of trade in goods brought about by the new treaty opportunities to India is the biggest gain and outweighs all the costs imposed by the treaty.

**WTO principles inherited from GATT:**

The study reveals the non-discriminatory, reciprocal, liberalised, predictable and fair character of the WTO principles. These principles apply equally the MFN treatment among the members by allowing reciprocal access, initiated steps in the direction of progressive market opening by eliminating unfair competitive practices such as export subsidies and dumping and providing greater flexibility in agreements for developing countries. However, apprehensions are continuing among various countries on the application of fairness and equity of principles.

**WTO aims at full competitive opportunity of trade for all countries:**

WTO applies two principles, viz., the most-favoured-nation treatment (MFN) and the national treatment. The former essentially
means the non-discriminatory treatment across the members of the world trade organisation, while the latter meant for the non-discriminatory treatment between the exporting and importing members themselves. Thus, MFN ensures equal competitive opportunities among various member countries within the WTO purview, while the national treatment ensures the opportunities between the exporting and importing members of the world trade organisation.

**India’s joining WTO opposed:**

The majority of views have been in favour of WTO but some of the people who do not understand the multilateralism in the world trade have severely criticized the role of WTO in the Indian economy. No doubt, India is facing some threats that can be converted to opportunities in the long run by adhering to the quality standards.

**WTO the principal rule based organisation:**

In the field of the trade, the World Trade Organization (WTO) is the principal international institution responsible for laying down rules for the smooth conduct of trade in goods and services among nations in this globalized world.
Laudable objectives of WTO:

The WTO has set clear-cut goals for its functioning like, promoting equitable, non-discriminating and multilateral trading system, bringing improvements in standards of living through trade liberalisation, optimum use of the global resources, ensuring full employment expansion of production and trade, environmental protection and sustainable development.

Main Task of WTO:

WTO's main task is to make the multilateral trading system credible and transparent. This is the hope, based on assertions by the world’s major traders especially the US. The WTO in its principal role as a trade police man will ensure the countries obey multilaterally accepted trade roles, carryout recommendations and rulings and compensate complaints.

Enhancement in the quantum and quality of Trade:

We can conclude that the efforts of WTO definitely would be adding to the value and volume of global trade. Easy flow of goods and services and information across the international borders because of technology development has reached immense proportions in the last few decades.
Increased transparency through TPRM:

WTO has paved way for enhancement of transparency in trade dealings among the members as all the members are required to publish their trade regulations and allow the review of administrative decisions affecting trade. Internal transparency requirements are supplemented and facilitated by periodic country-specific reports (trade policy reviews) through the Trade Policy Review Mechanism (TPRM)

WTO affects sustainable development:

The Study reveals that, as traditional tariff barriers have fallen everywhere, and as trade negotiators have turned their attention to other government policies which may affect international trade in products and services, the international trading system governed by the WTO has come to affect more and more areas of government policy. Governments deciding environmental, health and labour standards, rules for service provision or intellectual property rights protection, now cannot ignore the WTO.

Thus, the study focuses on the agreement that trade liberalization is essential to economic and social development and environmental protection; and, conversely, that it is harmful to one or all of these three pillars of sustainable development – or at least,
that it gives a much greater focus to economic growth at the expense of the social and environmental dimensions.

**WTO – a unique decision making process:**

WTO operates on a one country, one vote system decision making is generally by consensus. Under the WTO the advantage of consensus decision-making is that it encourages efforts to find the most widely acceptable decision. Main disadvantages include large time requirements and many rounds of negotiation to develop a consensus decision, and the tendency for final agreements to use ambiguous language on contentious points that makes future interpretation of treaties difficult.

However, there is also a criticism that the WTO practice of arriving decisions on a consensus basis is mainly due to the fear of the presence of more number of developing countries as members of WTO, who constitute the largest quorum.

**Strike a balance of interest of Developed vs Developing countries:**

Under the WTO, developing countries now far outnumber the developed countries. Despite this fact, the developed countries still demonstrate superior bargaining power, as was seen in the Uruguay Round, where issues such as intellectual property rights and environmental regulations were codified into the WTO framework. Even though the developing countries have also greatly
benefited from their participation in the WTO, trade and environmental issues are two main points of divergence in interests between the developing and developed world.

**Agriculture - emerged as a multilateral trade negotiation:**

The Uruguay Round marked a significant turning point in world trade in agriculture. For the first time, agriculture featured in a major way in the GATT round of multilateral trade negotiations. Although the original GATT – the predecessor of the World Trade Organisation (WTO) – applied to trade in agriculture, various exceptions to the disciplines on the use of non-tariff measures and subsidy meant that it did not do so effectively. The Uruguay Round agreement sought to bring order and fair competition to this highly distorted sector of world trade by establishment of a fair and market oriented agricultural trading sector. Agriculture is featured as a multilateral trade negotiation.

**Developing countries face market inaccessibility:**

Developing countries fear that when pressure on developed countries will force them to decrease their market access tariff barriers, they will resort to more and more use of quality standards as non-tariff barriers. In any event developing countries should make serious efforts to comply with these standards. These are aimed at better quality living for the living beings. WTO Agreement on Sanitary and Phytosanitary Measures (SPS), while recognizing
the desirability of maintaining quality standards clearly mentions that these should not be used as trade barriers.

**Agricultural Issues:**

India's position would continue to be guided by national interest, i.e., safeguarding agriculture – the backbone of her economy. India should not turn its back on country's legacy in the WTO and that the rights of farmers and farm produce must be strengthened. The rights of Indian farmers and farm produce must be safeguarded and the government must make all efforts to ensure this. Thus, main issue continues to be agriculture and protection of farmers, which has economic ramifications as well as larger domestic political implications.

**Developed countries overriding on AoA:**

Trade distortions are more conspicuous in agriculture sector. By providing export subsidies and export credits, developed countries have been able to effectively dump their excess production in international markets causing a fall in prices of agricultural products. Resultantly developing countries exports suffer from low profits due to fall in international prices and in worst scenarios their domestic markets have been lost due to inflow of artificially cheap imports from developed countries.
Creation of awareness amongst the farmers:

The use of fertilizers, pesticides and other chemicals at various stages of crops is highly unscientific in India and leads to increase of chemical levels beyond internationally permissible levels. Disease and pest control should be on modern lines to produce quality products. Chains of laboratories which are internationally accredited and well equipped to deal with the requirements of local exportable produce are required to be established, creation of awareness amongst the farmers, exporters, middle men and government departments to cater to this challenge. Overall research and development environment in agriculture sector needs to be enhanced.

Market access but not without tariffs:

No doubt the WTO kind of arrangement addresses itself strongly towards eradication of tariff and non-tariff barriers. In case of tariff reduction commitment, however, certain lags have been noticed in the study. Market access provisions under WTO are based on the principles of “tariffs only”. Non-tariff restrictions like quotas have been replaced by tariffs but the bound levels of tariffs for agricultural products originating in developing countries are excessively high in developed countries. In Japan, for instance, tariff on rice is up to 1000% making it very difficult for agricultural products from developing countries to enter and compete in
developed country markets. Moreover developed countries have been discouraging value addition at each step in the processing ladder by tariff escalation.

**Green subsidies encouraged:**

WTO rules permeate green subsidies, all subsidies that have normal or at most minimal, trade distorting effects or effects on production and do not have the effect of providing price support to producers are treated as green subsidies and are exempt from reduction commitments.

**Listed subsidies have little impact on Indian agriculture:**

None of the subsidies listed in the GATT as export subsidies apply to Indian agriculture as these are not provided at the moment. The only export subsidy provided at the movement by India is the exemption of export profit under sections 80-111C of the Indian Income Tax Act which is not on the listed subsidies. India is, therefore, free to provide subsidies for internal and of export marketing costs. The reduction in protection levels, which are high in developed countries, should help in India's exports though major benefits are to be appropriated by the developed countries.
India has tremendous export potential for fruits and vegetables and processed foods if measures are taken to improve the infrastructure and latest technology is used for the improvement of production. Exports from India consist of mainly traditional items like tea, jute, coffee, rubber, spices etc. It is inferred that neither the excess nor the larger size of the market but certain structural bottlenecks like price competition, products specifications and brand names including quality and other factors which really stand in the way of increasing export of India’s conventional farm produces. Therefore, controversy about subsidies will not have any adverse effects on India’s interests.

**Positive gains on agriculture front are forecast:**

The phased reduction on agricultural subsidies in developing nations, did not decrease the market in the post Uruguay Round phase for most of the commodities. One can apprehend that world price volatility will increase the domestic price instability of agricultural products in India and consequently it may become an attractive market for agriculture imports. The fear is not totally unfounded. After 1996, domestic prices have turned higher than international prices causing shock waves among farmers as has been seen in case of wheat, broken rice chicken and some other commodities.
Expected gains are yet to reach farmers:

It is expected that the combined effect of the reforms in the domestic policies and international trade reforms would result in a much larger integration of the Indian economy with the rest of the world, and such a scenario would bring about substantial benefits to the Indian farmers. The reforms undertaken so far have, however, failed to bring about the expected gains to Indian farmers. The process of reforms is still continuing and it is hoped that once the negotiations on reforms conclude and the envisaged reforms are implemented in letter and spirit, the gains to Indian agriculture would be positive and substantial.

Efforts to reduce distortions in agriculture:

The primary objective of the Agreement on Agriculture (AoA) is to reform the principles of, and disciplines on, agricultural policy as well as to reduce the distortions in agricultural trade caused by agricultural protectionism and domestic support.

Positive Impact of AoA:

One of the aims of AoA is to reform trade in agriculture sector, and to make policies more market oriented. Under the agreement, members commit themselves to reducing import tariffs, export-promoting subsidies, and total aggregate support to agricultural producers. The agreement also takes into account the
particular needs and conditions that developing countries face and allow them a more gradual course of liberalization. The agreement allows governments to support their rural economies, but preferably through policies that cause minimum distortion to trade. Developing countries are given special and differential treatment regarding reduction in subsidies, and they are given a longer transition time to complete their obligations.

**Unrealized part of AoA or shortfall in expectation:**

Most studies reveal that the expectations on the gains arising out of the AoA have not materialised. It was expected that AoA would result in increased access for agricultural exports from developing countries to the markets of the developed countries. In reality, exports to the EU and Japan have declined in proportionate terms in the post Uruguay Round period. It was also expected that there would be a redistribution of grains production from the highly subsidizing West to the less subsidizing South. There is no evidence to show that this shift has taken place.

**A Negative impact of AoA on farmers in developing countries:**

Developing countries have been pressed to open their economies to imports under structural adjustment programmes. Increase in imported foodstuffs displaces rural farmers from domestic markets, depriving them of incomes. Cheap food imports into many developing countries takes away the livelihoods of poor
people of which farmers are in the majority. Reduction of tariffs allows cheap imports of low cost agricultural produce that compete (and often dislodge) with domestic products and destroy local livelihoods. Thus agricultural production may actually increase in the US and EU while developing countries becomes net-importers.

**AoA helped more the rich than the poor:**

Agricultural subsidies remain in developed countries and as a result the dumping of surpluses on world markets continues unabated. Poor farmers in developing and least developed countries, who are barely supported by their governments, have to compete in world markets against rich farmers who often receive massive subsidies from their governments. As a result, rich farmers are getting richer while the poor get poorer.

**Dos and Donts of AoA:**

Primarily covered under Article 8 of the Agreement, these commitments are intended towards curtailing the hitherto common practices of the nations to grant subsidies to farmers, which are contingent upon export performance. Therefore, if a farmer exports a part of this production, he would be rewarded in the form of increased benefits/tax incentives or other ways as the country may provide. These benefits, so far as they have the effect of promoting exports are justified. However, if they amount to reduction in costs of production of the commodities meant for export, would subvert
the mechanism of comparative advantage, which is the entire basis/rationale for international trade. Thus the Agreement requires the Members from refraining to grant export subsidies and also obliges them from reducing the levels, which they have been maintaining. Similar to domestic support, the Agreement makes provision for identification of export subsidies.

**Distortionary effects of AoA Subsidies:**

Domestic support policies with the most distortionary effects on trade are those, which provide farmers in major producing countries of the world with incentives to produce substantially more of a particular product than they would do without such policies. This tends to generate large agricultural surpluses. The sale of these surpluses on the world market can only occur at a loss unless subsidized because the domestic price of the commodity is higher than the world price of the same. Increased volumes of domestic production can substitute for imports in domestic markets, while subsidized exports can create unfair competition for external producers.

**The poor farmers in developing countries are disadvantaged a lot:**

Export subsidies increase the share of the exporter in the world market at the expense of those who are not subsidized. They also tend to depress world market prices through the dumping of surpluses and may make them more unstable. A vast majority of
developing countries do not or cannot subsidize exports while many developed countries like the US and the EU do. Thus, poor farmers in developing countries, who are barely supported by their governments, are competing against rich farmers who often receive support from their governments.

Agriculture and farmers have a right to benefit from international trade and be freed from the heavy hand of government intervention. Three brief arguments in support of concluding the agriculture negotiations can be made at this juncture. First, reductions in export subsidies, domestic support and import tariffs can be seen as the first step to make agriculture more open and globally traded. This requires building of trust and assuring domestic groups that vital interests of food security are not being compromised. Second, our small and marginal farmers will not be deluged by subsidized imports because the great majority will be protected under the special safeguards mechanism (SSM) that will allow about 7 per cent of agriculture tariff lines to be exempt from the agreed tariff cuts. And in any case members are entitled to impose higher duties in case of import surges. There is then no question of our ‘poor farmers’ having to compete against the US treasury or the European bourses. Third, the plight of our small and medium farmers has much more to do with our own domestic policy-generated constraints than the global trading
Chapter 6

regime. Our farmers suffer more from lack of adequate electricity and new seeds, and poor access to bank credit and markets than from subsidized import surges. Agriculture ministry has to implement the necessary reforms.

There were serious differences between developing and developed countries over the level to which they were willing to open their markets under NAMA.

A well-integrated agricultural sector should enhance food security, reduce real food prices especially beneficial to the poorer communities of the nation who spend a disproportionate share of their income on food, increase employment and income, create important economic linkages in production chains, and have a positive impact on the environment. Given the chronic incidence of rural poverty and the concomitant harmful environmental practices, a development framework for agriculture must now focus on, among other things, equity and sustainability.

Trade ministers should stick to the offers already on the table and build on them and called for an inclusive approach in the way negotiations are carried out and help accentuate the progress of the Doha Round talks.
India's role recognised:

India, one of the founder members of WTO, had its own expectations as well as reservation about the new economic order. Almost all member countries of WTO have in-principal supported India's proposals that seek to make the organisation more relevant, vibrant and user-friendly. Members like China, US, and the EU have formally endorsed India's stand on several issues. In the last decade, our economic agenda and the policies to be pursued have been largely shaped by the WTO commitments. In the developing world, only India and Brazil have a separate mission in Geneva for WTO matters, which is backed by a good size trade policy structure and research institutions at home

Doha Round would reduce the barriers:

According to World Bank estimates, complete elimination of all merchandise trade restrictions would ultimately boost developing-country incomes by no more than 1 per cent. The impact on developed-country incomes would be even smaller. And, of course, the Doha Round would only reduce these barriers, not eliminate them altogether. The Doha Round was constructed on a myth, namely that a negotiating agenda focused on agriculture would constitute a "development round". This gave key constituencies what they wanted. It provided rich-country
governments with an opportunity to gain the moral high ground over anti-globalisation protesters.

But the myth of a "development" round, promoted by trade officials and economists who espouse the "bicycle theory" of trade negotiations - the view that the trade regime can remain upright only with continuous progress in liberalization - backfired, because the US and key developing countries found it difficult to liberalise their farm sectors. What ultimately led to the collapse of the latest round of negotiations was India's refusal to accept rigid rules that it felt would put India's agricultural smallholders in jeopardy.

Developmental Issues – Missing consensus:

India's stand that the development dimensions was "central to the Doha Round", that has missed several goalposts for want of consensus among 153 WTO members. The need of the hour is a rule-based multilateral trading regime, which takes on board developmental aspirations of the poor countries and at the same time ensures better access for all.

Need for concluding Doha Round of talks:

These are not the best of times for the Doha Round of multilateral trade negotiations under the aegis of the World Trade Organization (WTO)
The talks, which began in November 2001, are nowhere near completion. What is worse the topic appears to have been dropped from public discourse. One hardly hears anything that would induce optimism on concluding the talks. While there could be many reasons for this justified public apathy, it is incorrect to write off the Doha development round.

WTO has been criticized for paying lip service to the concerns of developing countries in the field of agriculture while pursuing an agenda of developed countries. Under Article 20 of Agreement on Agriculture the review process to ascertain the progress made towards establishing a "fair and market oriented trading system in agriculture" started in the year 2000. In pursuance of this "built in agenda" many proposals have been submitted on the three pillars of market access, domestic support and export competition as well as to make more meaningful and enforceable the "special and differential treatment" provisions. Under pressure of an increasingly assertive civil society, anti-globalization movement that emerged at the time of Seattle Ministerial Conference, developed countries agreed to make more meaningful concessions to developing countries at Doha in 2001. According to Doha declaration a road map was provided for agriculture negotiations. The deadline for agreeing on modalities was March, 2003 which has passed without any agreement.
Stalemate on Doha Round of Trade Negotiations:

Most of the issues relating to finalization of modalities for Agriculture and Non-Agricultural Market Access (NAMA) have not ended without any agreement on any issue. Some of the issues which either could not be discussed were: Cotton subsidies; Tariff capping; Tariff simplification; new Tariff Rate Quota creation, etc., in agriculture and sectoral initiatives in NAMA. Developing countries also have concerns in other areas of the Doha Round negotiations such as Fisheries subsidies; Anti-dumping; Trade-Related Intellectual Property Rights (TRIPs) and its relationship with the Convention on Bio-Diversity; liberalization of trade in environmental goods and services etc.

India stands firm:

The Doha round can only be completed when WTO members agree on the modalities for Agriculture and NAMA, and complete negotiations in all the areas covered under the Doha Work Programme. India not only wants the US to drastically reduce its overall trade distorting farm subsidies (OTDS) and in particular the cotton subsidies, but also has said that it would not take part in ‘sectoral’ negotiations as demanded by the US. Sectoral negotiations are aimed at drastically cutting or altogether eliminating duties on certain sectors like industrial machinery, electrical electronics, and chemicals that are of interest to the US.
Economic growth linked progressive liberalisation of services:

The General Agreement on Trade in Services of the World Trade Organization (WTO) came into effect in 1995, as a result of the Uruguay Round of multilateral trade negotiations. The study reveals that GATS strives is to promote the progressive liberalization of trade in services as a means of achieving economic growth for all countries and the development of developing countries, by applying basic rules of the WTO to services trade, with the necessary modifications.

Larger number of services under the ambit of GATS:

GATS covers trade in all commercial services, categorized by the WTO in 12 groups: business including professional and computer services, communication service like, postal, courier and telecommunication, construction and engineering services, distribution services, educational services, environmental services, financial (insurance and banking) services, health services, and other services not included elsewhere. GATS, however, excludes air transport and government authority services. Unlike trade in goods, there is no harmonized system of classification for services and countries have a wide discretion.
**GATS obligates lower barriers:**

GATS requires each member country to lower barriers against foreign service providers, in the service sub-sectors committed by the member, and to commit never to raise the barriers in the future, failure of which the member could be forced to compensate the affected countries.

**New technology widened the scope of services trade:**

Prior to the Uruguay Round, services were considered to offer less potential for trade expansion than goods. However, the development of new transmission technologies facilitating the supply of services (e.g. satellite communication, electronic banking, tele-education), the opening of monopolies in many countries and gradual liberalization of hitherto regulated sectors like transport, banking and insurance combined with changes in consumer preferences, enhanced the tradability of services.

**TRIMS:**

It is evident from the study that WTO Agreement deals importantly with the trade related investment measures (TRIMs). Sometimes certain investment requirements which distort international trade in goods are taken care of in the overall WTO negotiations. TRIMs broadly pertain to local content requirements,
trade balancing requirements and export restrictions attached to investment decision making.

The member countries of WTO have to remove any inconsistencies that are in contravention with the TRIMs framed by the WTO. A transition period of two years and five years in case of the developed and developing countries respectively under the agreement so as to synchronise the provisions. India does not have any outstanding obligations under the TRIMs agreement as far as notified TRIMs are concerned.

**TRIMs obligate free flow of foreign investment:**

Foreign investment flows facilitate economic growth both in developed and developing countries. However, countries are cautious and become discriminatory in allowing the FDIs with a view to protecting their indigenous industries. TRIMs will create a kind of self-regulation on the part of member countries by not imposing restrictions on foreign investment inflows.

**Tariff Reductions**

**Technical barriers to trade (TBT):**

The TBT Agreement recognizes that WTO members have the right to take standards-related measures necessary to protect human health, safety and the environment at the levels they consider appropriate and to achieve other legitimate objectives. At
the same time, the TBT Agreement imposes a series of rules regarding the development and application of those measures. For example, the TBT Agreement requires governments to develop standards-related measures through transparent processes, and to base these measures on relevant international standards (where effective and appropriate). The TBT Agreement also prohibits measures that discriminate against imported products or create unnecessary obstacles to trade. The TBT Agreement sets out a Code of Good Practice for both governments and non-governmental standardizing bodies to guide the preparation, adoption, and application of voluntary standards. The Code is open to acceptance by any standardizing body located in the territory of any WTO Member.

The TBT Agreement requires WTO Members to provide other members the opportunity to participate in the development of mandatory standards-related measures, which helps to ensure that standards-related measures do not become unnecessary obstacles to trade. In particular, the TBT Agreement requires each Member to publish a notice in advance that it proposes to adopt a technical regulation or conformity assessment procedure.

**India benefits from reciprocative tariff reductions:**

India will have to open its imports up to 3-5% of consumption needs. Stated differently, 3-5 per cent of consumption cannot be
on the negative list but will have to be on open general license (OGL) list subject to whatever tariffs exist. India has indicated tariffs up to 100 per cent on primary products, up to 150 per cent on processed food, and up to 300 per cent on edible oils.

In the entire forty-seven years of the GATT, only some 200 cases were disputed. In the first three years of the WTO, 118 complaints have been brought, dealing with 411 distinct matters. Many of these cases have gone through the entire process, resulting in the adoption of appellate reports by the DSB. The increased use of the dispute settlement procedures under the WTO suggests that nations see value in the reforms that were implemented, and that they have increased confidence that other nations will abide by their trade obligations if the DSB finds them to be in violation of specific provisions.

Developing countries such as India were imposing import duties of 50-100 per cent on most goods against 10-20 per cent by the developed countries. India agreed to reduce the import duties because these were counter-productive for all except our inefficient producers. These were, therefore, gradually reduced to present an average of about 15 per cent. Simultaneously, developed countries reduced their import duties to about four per cent. In consequence, global trade has increased and our producers have attained access to global markets. Our consumers have received better quality...
imported as well as homemade products. This global reduction in import duties has been basically beneficial for us.

**Non-tariff barriers – a deterrent:**

The problem faced by many Indian exporters is not of high import duties or prices, but of the non-tariff measures. For example, few years ago the export of skirts from India was banned in America on the unfounded allegation that these skirts were inflammable. This happened because no standards are set for inflammability and there is no provision in the WTO for India to challenge such restrictions.

**India cannot be unconscious of her interests:**

While India go to the negotiating table, she should remain conscious of the interests of millions of her farmers, the interests of her small and medium enterprises, and we remain committed to the aspirations of our booming services industry to get greater market access. We remain optimistic that globally we will be able to find a way forward, free movement of professionals, removal of restrictions on outsourcing and neutralising negative impact of the stimulus packages being implemented by the developed countries on our exports as desired by India. It is equally important for countries of the West to acknowledge the historical imbalances which have queered the pitch for the developing world.
No real reductions in targets/subsidies by developed countries:

The WTO has promised that trade liberalization will bring benefits to all countries. In reality, the rich countries took full advantage of the opening of markets in the developing ones. The proposal of the recently revived WTO's Doha round of negotiations suggests that developing countries will have to cut their agricultural targets by 36 per cent. Even the most important products of poor farmers would face around 19 per cent cuts. The proposal does not imply real cuts in huge farm subsidies in the US and EU. Both pretend to effect 70 per cent and 80 per cent cuts in subsidies. Actually, however, there are no real reductions. The current US subsidy is around $7 billion, while a 70 per cent cut would cap its subsidies at $14.5 billion. Similarly, according to estimates, EU subsidies would be around 12 billion Euros by 2014 while the 80 per cent cut would cap its subsidies at 22 billion Euros.

WTO environmentally concerned:

Environmental policy-making is one of the most rapidly evolving areas of national and international policy-making, and it is entirely appropriate that emphasis should be placed now in WTO on ensuring better policy coordination and multilateral cooperation over the linkages between trade and environment.
Improved rules eased out dispute settlement process:

WTO attempts to remove trade distortions is achieved by developing a set of rules of multilateral trading system which aims to remove, inter alia, trade barriers (tariff and non-tariff) as well as reduce and eventually remove domestic support and system of export subsidies that distort international trade between nations. This has eased out dispute settlement process.

Satisfactory Dispute Settlement:

Now that the WTO Dispute Settlement procedures have been in use for many years, it is possible to make a tentative analysis of the impact of this institutional evolution of the international trading system. A rich variety of cases have been addressed by the WTO dispute settlement procedures. These include complaints against countries with economies as small as Guatemala, and as large as the European Union. They have also targeted countries at vastly different stages of development, including countries like India at one end of the spectrum and the United States and Japan on the other.

Consultations helped resolve majority disputes:

Interestingly, a large proportion of cases are successfully resolved during consultations; 46 per cent of all disputes brought to the WTO end at the stage of consultations and three-quarters of
those yield at least partial concessions from the defendant. If consultations do not result in a mutually satisfactory solution, the complainant can request a panel proceeding, marking the start of the formal litigation stage. Panels are comprised of three to five persons with a background in trade law, agreed to by the parties on a case-by-case basis.

The WTO became the first global economic institution with capacity to legally enforce its agreements through the dispute settlement body with powers to authorize sanctions against violators, as the organisation aims at promoting trade liberalization through a rule-based system founded on principles agreed upon by members.

**Special safeguard measures:**

There are special safeguard provisions if market access leads to an import surge or if imports take place at an extremely low price. None of the agricultural measures used by member countries domestic or border measures can be challenged before 9 years i.e., before 2004.

This would require concord and simultaneous efforts on several fronts like increase in the use of modern inputs like fertilizers and plant protection, chemical expansion in area under high yield varieties and improved seeds, provisions of institutional credit for purchase of modern inputs, improved water management...
and conservation strategies, reclaiming some of infrastructure to improve efficiency in product and marketing.

India has agreed to lift quantitative restrictions (QRs) on imports of about 2700 items in 6 years because of the complaints by USA, Australia, New Zealand and E.U to Dispute settlement body (DSB) of WTO based on the decision of the Appellate Body. Removal of QRs on agriculture import would promote competition that will benefit the consumers improve social welfare particularly of rural and urban poor.

**No impact on India's public distribution system:**

On the issue of PDS, India will not be effected because PDS meant for poor consumers and not for farmers. The provision of food stuffs at subsidised prices with the objective of meeting food requirements of the poor in developing countries on a regular basis at reasonable rates is allowed as per the agreement. Although public agencies buy food stocks only at minimum support price, the farmers are free to sell at higher market price offered in the open trade.

**Exclusion of members from patentability of inventions:**

According to TRIPS agreements (article 73) members may be excluded patentability of inventions which are necessary to protect human, animal or plant life or health or to avoid prejudices to the
environment, provided that such exclusion is not made merely because the exploitation is prohibited by domestic law. It also provides that members may exclude from patentability of (a) diagnostic, therapeutic and surgical methods for the treatment of humans or animals and (b) plants and animals other than the micro-organisms and essentially biological processes for the protection of plants or animals other than non-biological and micro-biological processes. It further states that, however, the members shall provide for the protection of plant varieties either by patents or by an effective Sui Generis system or by any combination thereof. Agreement requires patent protection for a period of 20 years. A grace period of 10 years is available for the introduction of patents.

The implications of the TRIPS

MNCs desire to make India as their production base:

India stands to gain because production of high value seeds involving the process of pollination which is high labour intensive and availability of conducive weather in India. MNCs may make India as their production base for seeds exporting to global market. There is a great potential for the export of fruits and vegetable and processed food in the international market if the infrastructure required for export and shipment was suitably upgraded to international standards.
Developing countries feel the threat of MNCs:

Another problem for developing countries agriculture arises out of TRIPS agreement that has made it mandatory for all member countries to accord protective intellectual property rights, which are internationally acceptable, among others to the inventors of new seeds and plant varieties. For centuries farmers had been saving, exchanging, using and selling farm saved seed. Multinational seed companies have now started claiming patent rights over the seed produced through their research by introducing some new gene sequence. Developing countries fear that this will threaten their centuries old farm practices and make their agriculture dependent on these companies.

India will gain from plant breeders’ right:

It is feared that the introduction of a form of monopoly through plant breeders rights (PBRs) would make the seed industry dependent on the licenses, given by those owing to the (PBRs).

India has developed a wide variety of seeds. Therefore, she would gain from the institution of PBRs in a number of ways – (i) this form of protection would motivate the private sector to make much greater investments in plant breeding research for improved hybrids. (ii) India will have greater access to foreign varieties and technology; (ii) PBR, would also made it possible for India to enter the international market in seeds in a big way for which India has
the necessary scientific resources and commercial expertise. India’s strategic location also offers great potential for the development of vibrant export trade in seed with many neighboring countries.

**India poised to capture major junk of bulk drug market:**

India is the world’s largest exporter of generic drugs in the world with exports to the tune of $8 billion in 2008-09. The Indian pharma industry is the third largest in world with strength in the value chain and constitutes 40 per cent of the world’s exports of bulk drugs. The Indian pharma industry was expected to reach $30 billion by 2020. Out of every fifth generic drug produced in the world, is from Indian companies. While we are not too much into new drug inventions, we are quite strong in manufacturing formulation and bulk drugs. When the $60 billion worth of patents expire in the next three to four years, Indian companies will be able to capture a major chunk of the market with our strength in generic drug manufacturing. The rules of TRIPs agreements would support India a lot in future in respect of drug formulas.

**Sanitary and Phyto Sanitary Measures:**

Sanitary and phyto sanitary are non-tariff measures which a member country can invoke to refuse imports from member countries to protect human and animal health or plant life, subject to the requirement that they are not applied in a manner which could constitute a measure of arbitrary or unjustifiable
discrimination between members where identical conditions prevail or disguised restrictions on international trade.

**Sanitary and phyto sanitary measures compel quality standards:**

India has to be equally conscious about maintaining the quality standards acceptable in the global market in order to penetrate into the international market and boost its export share. E.U. banned import of fish from India because of lack of adequate hygiene protection especially in canning (sacking) of crustaceans (Shellfish).

In terms of quality most of the Indian farm products do not conform to international standards on account of sanitary and phyto sanitary restrictions, processing and packaging specifications and so on. This is evident from the recent rejection of Indian mangoes by Japanese importers due to various organic/inorganic residues on mango skin for which Indian exporters had to import special machines for further processing this commodity.

**Implications of WTO on Textiles & Clothing**

**Supply – side constraints to be taken care of:**

There are supply-side constraints that for a start, it is important to realize that low labour costs do not necessarily lead to price competitiveness. Labour costs are only one component of
total input costs. Higher capital and energy costs can very easily nullify the advantage of low wages. In addition, if raw materials are not available at international prices, a labour cost advantage does not translate into price competitiveness. This, for example, characterizes India exports of garments made from manmade fibres. It is true that duty-free imports are available through advance licenses, but the procedures are extremely complicated.

**Further Integration a challenge:**

The globalisation of the world economy over the past decade has created a greater reliance than ever on an open multilateral trading system. Free trade has become the backbone of economic prosperity and development throughout the world. The task of helping to integrate further the least-developed countries is one of the challenges that lie ahead in the WTO. Similarly, the full integration of countries with economies in transition into the trading system must be achieved in order to strengthen economic interdependence as a basis for greater prosperity and world peace. These negotiations are critical to ensure the future health of the world economy and the trading system. Thus the WTO paves the way for revisiting of North – South dialogue of 70s and 80s.

**Developed countries should exhibit fairness:**

Because of the superior economic might of the developed world, the developed world through these agreements have
managed to have the right to retain quotas for textiles and clothing items and to maintain huge subsidies for agricultural items thus effectively shutting out competition and fair market access to the developing countries in these two sectors in which developing countries could be somewhat competitive. Because of today's tough competitive situation, if further obstructions are placed on world trade, the developing world will lose whatever little confidence they have in the multilateral trading system, especially in the equality of the system. There is, therefore, great responsibility on part of the developed world to ensure that fairness and transparency of multilateral trading system is not sullied and jeopardized.

But the chances of the WTO'S Doha Round of talks that started in the capital of Qatar in November 2001, concluding in the near future are rather remote. The differences between developed and developing countries on key issues appear so irreconcilable at present that the WTO – with 153 countries as its members helplessly watches as intransigent negotiating positions are adopted.

Observing that both the US and India had dug their heels in at the negotiations with the US not doing enough in terms of reducing farm subsidies and India sticking to its position on SSM (special safeguard measures), she could turn the table on the US by improving its position on SSM. It is possible to protect the India
farmers under other provisions of the WTO, although, there was nothing to be feared by expressing the farmers to competition.

**India can afford further reductions in import duties**

As cheap labour has emerged as a major determinant for success, our growth rate is respectable while that of the developed countries is languishing. It is suggested that India will have to make larger cuts from the present average rate of 15 per cent. Not much reduction is possible in the average rate of import duty of four per cent being levied now by the developed countries. Normally, this should entail a loss proposition for India. This may not happen though. Just as reduction in import duties from 60 per cent to 15 per cent has not killed our indigenous industries so also further reduction to, say, five per cent is unlikely to wreak much damage upon us.

**Integration of Indian agriculture with the global economy:**

There is a strong possibility that India would emerge as a major beneficiary in the field of world of agriculture commodities. However Indian agriculture would not be able to escape fierce global competition. An appropriate policy instruments are required for gradual integration of the Indian agriculture with the global economy. Micro level research on competitiveness and other aspects of delivery system will have to be carried out by the firms involved in exports.

Amid the panorama of inequities caused by the force of certain agreements, the major developed countries are pushing for
the launch of fresh negotiations that could result in new WTO rules which add to the already onerous obligations of the developing countries and further undermine their developments prospects. It is called that, developing countries to resist these pressures wholeheartedly and insist instead that the myriad asymmetries in the existing agreements be remedied. This in turn, demands that they shed their previous passive stance and forge coordinated and consolidated positions within the WTO, for only with proactive cooperation the countries of the South can advance their interests in the multi-lateral trade.

**Growth of services sector outpaced:**

The growth of the services sector in India has outpaced aggregate GDP growth from mid 1980s. As a result of this, the share of services in GDP has been rising and is now expected to be around 47% to the GDP as against 29% for industry and 24% for agriculture. The World Trade Organization (WTO) Agreements on services is of substantial interest to the world economy as it has the potential to strengthen economic reforms, to stimulate investment and capital mobility worldwide, and to create an institutional framework accounting and financial services transactions. Members of the WTO that participated in the multinational trade negotiations made some specific market access commitments in professional services.
Challenges related to FTAs/Comprehensive Economic Cooperation Agreements (CECAs) in the absence of successful WTO negotiations:

The proliferation of FTAs in the world is characterized as the 'spaghetti bowl' in which trade crisscrosses in a complex fashion between countries based on tariff differentials and complicated rules of origin. In recent years, India too is a part of many regional and bilateral groupings. While there are benefits from these FTAs for Indian exports, in some cases the benefits to the partner countries are much more, with net gains of incremental exports from India being small or negative. FTAs also lead to a new type of inverted duty structure with duties for final products being lower from FTA partners compared to duties for the previous-stage raw materials imported from non-FTA countries. This acts as a disincentive to local manufacturing which is not competitive against FTA imports because of the inverted duty structure phenomenon. For example, the normal customs duty on Indian TV sets is 10 per cent, but in the case of imports from Thailand and Singapore there is zero duty subject to the rules of origin requirement. There are similar issues even in agricultural items. For example, arecanuts or betel nuts have a basic customs duty of 100 per cent. But this duty is nil or at concessional low rate at different levels for imports from Sri Lanka under the Indo-Sri Lanka FTA and the South Asian Free Trade Area (SAFTA) agreement and from FTA partners like Myanmar, Bhutan, and
Nepal. This could affect some regions which depend mainly on cultivation of arecanuts for livelihood. Following the ban of some States on arecanut products, demand crashed. Allowing imports at concessional duties under FTAs for items that are banned by some States needs reconsideration. The policy challenge related to FTAs/CECA should take note of specific concerns of the domestic sector and ensure FTAs do not mushroom. Instead, they should lead to higher trade particularly higher net exports from India.

**Challenges related to services trade:**

Services trade is uncharted territory with plenty of opportunities and challenges. A more conducive environment for trade in services can be created by liberalizing FDI in services as FDI inflows and trade in services have a close relationship given the nature of intra-firm trade of multinational parent firms with affiliates; rationalizing taxes in services like shipping and telecom; going forward with totalization agreements; streamlining domestic regulations like licensing requirements and procedures, technical standards, and regulatory transparency which can help in the growth and export of services; and continuing with the focus on services in multilateral and bilateral negotiations. These, along with systematic marketing of services, collection and dissemination of market information by setting up a portal for services, streamlining the services data system, and a more focused, coordinated, and synchronized policy by the different agencies involved, could help the services sector make further strides
CONCLUSION

Most importantly, it is in India’s interest to maintain the momentum of multilateralism. It is not a member of any regional trading bloc, and will thus lose out if the Doha meeting doesn’t succeed, for the richer countries will aim at expanding their bilateral and regional trade relations, and also accelerate further protectionism.

One important objective of the WTO is to reduce inequalities by giving smaller countries more voice. "As a member of the World Trade Organisation, India will continue to interact with other nations to further protect and promote our national interests. Towards this objective, Government shall prepare a well-thought out strategy in order to protect India's national interests and our gains from global trade are maximised."

Instead of various WTO kind of arrangement should prove itself as an emerging collective global economic leadership paving the way for translating the common interest in global growth into a practical and effective mechanism for solving our common economic problems together.