CHAPTER III
CHAPTER-III
WTO IN THE GLOBAL SCENARIO

3.1 WTO AND GLOBLISATION

Globalization can be defined as the expansion of economic activities across political boundaries of the nations. It refers to a process of increasing economic integration and growing economic inter-dependence between countries in the world economy. It is associated not only with an increasing cross border movement of goods, services, capital, technology, information and people but also with an organisation of economic activities which straddles national boundaries.

Globalization may also mean a very substantial movement in the direction of private enterprise and a market-oriented system, with substantial reduction in the role of the Government in economic affairs. It means the disbandment of the planning system.

The process of globalization also means free movement of people entrepreneurs, professionals, and workers-across national frontiers. In fact in is not a mere economic and financial phenomenon. It has wide political and cultural ramifications. But cultural integration has proved to be far more difficult to achieve than economic and financial integration. For globalisation to be complete economically there has to be something of World Government. It must, in the final analysis, result in one
government, one law, one currency, etc. of course, this stage is very far away so far as the world in general in concerned, but in regard to Europe this has a substantial reality. The European Union (EU) has made very good progress in achieving economic integration and is moving towards a single currency and a single central bank for the entire Union.

**WTO : A LEADING ROLE PLAYER**

The WTO has a leading role to play in the interconnected world. There is a clear and indivisibly relationship between the dynamic of technological progress in our time, and the dynamic of liberalization in the world economy – the WTO’s future agenda is key to keeping this trend on track. There is also a clear and the global rules need to manage our interdependence rules, which only the multilateral trading system can provide. **The following are some of the ways** in which the WTO is charting the path ahead:

1. **Managing the Technology Frontier**:

First there is the progress that has been made in liberalizing new sectors of the world economy helping to widen and depend the flow of technology and information around the world. In October 1997, the WTO reached agreements to liberalize global telecommunications services and information technology products, the trade coverage of which is the equivalent of global trade in agriculture, autos and textiles combined. Taken together, it has in effect concluded a new Round by another name. But more important, it has taken an important step towards bringing the
technological trade of the next century inside a rules-based system, with an enforcement capacity. This is the unique contribution of the WTO to a more predictable economic evolution.

In the WTO's immediate priority is a successful conclusion in December 1997 to the global financial services negotiations. Financial liberalization and the creation of a strong and stable global financial system are really two sides of the same coin. Liberalization invites investment, which means greater access to capital, to know-how, and to an interactive global financial network. Commitments to liberalize financial services under the GATS will not in any way compromise the ability of WTO members to pursue sound macro-economic and regulatory policies - the sine qua non of a healthy financial sector.

There is another point to bear in mind as we begin to define a liberalizing agenda for the next century. While recognizing the great potential for borderless trade, we must not forget the many areas of international trade where borders are too real - like agriculture, textiles, or industrial goods - and the many countries which depend on more open trade in these sectors for their economic well-being.

2. Integrating Emerging Markets - Opportunities and Challenges

The second key element in the WTO's agenda is expanding the membership. The borderless economy is not just deepening our relations - it is broadening them as well. With intensifying ties to
fast-emerging countries in Asia, Latin America and now Africa come enormous opportunities, but also enormous challenges of integration, adjustment, and stability. Your conference document rightly argues that the future growth of China, India, or mercosur will hinge on "maintaining economic and political stability and continuing the reform process."

3. **Helping those on the Margins of the Global Economy**

There is another important dimension to universality. The need to ensure that everyone is included in the new information driven economy - not only to prevent the poorest from becoming more marginalized, but also to help all of us to benefit from the opportunities which technological and economic integration presents. Today's shift from industrial production to knowledge production requires never-and far more sophisticated - skills than last century's migration from the farm to the shop floor. So governments also need to find new approaches to the development challenge, which extend beyond investments in industry and infrastructure, to investments in people.

**GLOBALISATION IN WTO REGIME**

Globlisation interpreted as a programme seeking to integrate various countries into the global economy is inevitable in an increasingly an interdependent world. All the nations and peoples are closely knit together. No country can develop in isolation. Opening up a nation's economy and integrating it with the rest of the world makes the economy outward-oriented.
Integration of the world economy is the central point in connection with the changing direction of world trade. The World Trade Organization (WTO came into existence on January 1, 1995, replacing the GATT) is having a membership of 132 countries, which represents 91 per cent of the world trade in goods and services. Active participation is the keynote for the WTO; hence the member countries should remove constraints, which put hindrances in the integration process. No member should play a neutral role in the process of Globalisation, as the very structure of the world economy is changing fast.

In a globalised world, the WTO discipline will not allow a country to make use of tariff or quantitative controls to deal with its balance of payments. If capital markets are also integrated, the ability to make an aggressive use of exchange rate or even monetary policy will also be greatly reduced.

In the fast changing world economic scenario, there has been a rising ratio of world trade to the world output since 1950. This trend is the centerpiece of evidence on the peace of global integration and growing inter-dependence among nations. This phenomenon has been widely analysed in the WTO report titled "International Trade and Statistics" (1995).

Over the period from 1950 (when the process of trade liberalization through the early GATT Round got underway) to 1994, the volume of world merchandise trade increased at an annual rate of slightly more than 6 per cent and world output by
close to 4 per cent. Thus, during those 45 years world merchandise trade multiplied 14 times and output 5½ time. However, the excess of trade growth over output growth varied; from an average of a mere half percentage point in the period 1974-84 to nearly 3½ percent points in the most recent 19 years. In fact, the excess during the years since 1980 has been much higher still but it is not yet clear whether or not this represents a permanent ratio. Having analyzed these trends from regional and product points of view, the Secretariat comments that:

Increasingly, an open trading system is also playing a crucial part in widening and deepening the flow of technology and information around the world – a process which is central to the enabling environment we need to create WTO agreements liberalizing global telecommunications services and information technology products are about much more than trade. They are about building the new infrastructure of the information age – in the same way that the expansion of railways and shipping in the nineteenth century provided the infrastructure for the industrial age. Equal access to this knowledge infrastructure will determine equal access to the technological and information tools of the future – which will in turn define the potential for growth and modernization in the developing world.

Developing countries have a growing interest in liberalizing their financial sector and deregulating their investment regimes in order to build the kind of competitive financial infrastructure they
need for future growth. At the same time, developed economies have a clear interest in an agreement which will open the fastest growing markets to one of their fastest growing industries. And all sides in this negotiation have an interest in building a strong global financial system to support a strong global economy. A rules-based, multilateral playing field for financial services and investment – rather than a cat's cradle of discriminatory bilateral or regional deals – will go a long way towards creating the enabling environment we are discussing today.

Besides, there is a significant way the multilateral system contributes to the enabling environment. As the world becomes more inter-connected economically, all countries – but especially the weakest and most vulnerable – will more and more need a "fair, equitable, and transparent regime" of rules to manage their interdependence. This in turn calls for a full involvement by developing and transition economies in drawing up and using the multilateral rules, not limiting their focus to exceptions and special provisions.

The process of globalisation has been characterized by inequalities, both economic and political, between nations in the world. It will not reproduce or replicate the advanced countries of today's world everywhere, just as it did not reproduce or associated with an uneven development then. It is found to produce uneven development now, not only between countries but also within countries.
It is clear that we live in a world which is unsatisfactory even unacceptable - in many respects. It is a world where, according to the latest United Nations Human Development Report, over a quarter of the developing world's people still live in poverty. About a fifth - 1.3 billion - live on incomes of less than $1 a day, and over fifty per cent of the global population has less than five per cent of global income. These reinforce what our eyes and ears already tell us - that though we are part of an ever more integrated global economy, the distance between rich and poor is still intolerably great.

But there is another reality which should not be obscured by these somber statistics - a reality of real progress and hope. Worldwide growth and living standards are rapidly rising, more rapidly than at any point in the last thirty years. We can welcome the fact that even this year's UN World Economic and Social Survey notes that the circle of economic growth has spread to most parts of the world averaging over 3 per cent worldwide. Of the 95 countries it covers, only 11 failed to increase per capita output in 1996, compared with 24 in 1995.

And the UN's Human Development Report reminds us that poverty has been reduced more in the last fifty years than in the last 500. It talks about the potential for eradicating global poverty in the early part of the next century - an utopian notion even a few decades ago, but a real possibility today. In the same vein, the OECD now predicts that per capita income in the developing world
could rise by a remarkable 270 per cent by the developing
countries account for a quarter of world trade; at current rates of
growth, they could account for half of world trade by the year 2020.

Globalisation will not solve the very real problems of
distribution we face-not will it, on its own, feed and clothe our
children, or educate and empower their parents. What globalization
provides is the most powerful engine for growth the world has yet
seen—an essential basis for building the shared global society that
is now within our reach. Global economic and social development
on a sustainable basis requires "solid rates of economic expansion"
expansion, which cannot be achieved if the raw material of
globalization is compromised. A new global "enabling environment"
can only be built on the foundation of an open and integrated
global economy.

Hence, there is a need for positive efforts designed to ensure
that developing countries, and especially the least developed among
them, secure a share in the growth of international trade
commensurate with the need of their economic development.

The Declaration on the Contribution of the WTO to Achieving
Greater Coherence in Global Economic Policy-making identifies the
need for strengthening the relationship between the activities of the
WTO, the International Monetary Fund (IMF) and the world Bank
as a way of ensuring greater coherence in global economic policy-
making.
Developing countries are now far more active players in the functioning of the system. Between 1980 and 1994 developing countries were involved in less than ten per cent of the 120 disputes examined by the old GATT. But in the last two years alone developing countries have initiated about half of the requests for WTO consultations or panels. And the active and crucial participation of developing countries over the last twelve months in negotiations on telecommunications services and information technology are clear evidence of their engagement and commitment to a system, which belongs to them as much as to anyone.

The multilateral trading system initiated by the WTO is thus, itself a key element in fostering an enabling environment for globalisation. It helps countries at all levels of development open opportunities and provides the securities of agreed rights and obligations.

### 3.2 REGIONAL INTEGRATION AND THE WTO

Multilateral trade liberalisation in the Post-war period has been paralleled by a process of integration through regional agreements. Agreements have at times been concluded by countries in the same geographical region, and in other cases, have involved countries in different regions, in all that follows, the term 'regional integration covers both.

We are now witnessing a big trend in world economy towards 'regionalism' and what may be called 'the reassertion of economic geography.' But regionalism cannot be positive if the trade blocs
raise barriers against outsiders rather than merely removing them between the members. Exclusivity, rather than reciprocity, would be harmful for global trade.

**CONCEPT OF REGIONAL INTEGRATION**

Regional integration is one of the important variants of the free trade doctrine. It arises whenever a group of nations in the same region, preferably of relatively equal size and at equal stages of development, join together to form an economic union by raising a common tariff wall against the products of nonmember countries while freeing internal trade among members.

There are different degrees or levels of such integration; free trade area, customs union, common market and economic union by raising a common tariff wall against the products of nonmember countries while freeing internal trade among members.

There are different degrees or levels of such integration; free trade area, customs union, common market and economic union. A free trade area abolishes all restriction on trade among the members but each member is left free to determine its own commercial policy with non-member. A customs union is a more advanced level of economic integration than the free trade area. It not only eliminates all restrictions on trade among members but also adopts a uniform commercial policy against the non-members. The common market is a step ahead of the customs union. A common market allows free movement of labour and capital within the common market, besides having the two characteristics of the
customs union, namely, free trade among members and uniform
tariff policy towards outsiders. A still more advanced level of
integration is the economic union.

**REGIONAL INTEGRATION IN THE POST-WAR PERIOD**

Multilateral trade liberalization as well as regional integration
has been a significant phenomenon in the post-war period. Since
the creation of the GATT 50 years ago, 108 regional agreements
have been notified. Eighty existing agreements have so far been
examined and only six have been found consistent with the rules of
the WTO. In recent times 20 new regional agreements have been
notified, and are waiting to be examined in the WTO.

Multilateral trade liberalization in the post-war period has
been paralleled by a process of integration through regional
agreements: 98 agreements were notified to GATT under Article
XXIV from 1947 through to the end of 1994, and a further 11 1979
Enabling Clause. The establishments of the WTO on 1 January
1995 coincided with the Third Enlargement of the European
Community. Agreements have at times been concluded by
countries in the same geographic region, and in other cases, have
involved countries in different regions; in all that follows, the term
"regional integration" converse both.

**CHARACTERISTIC FEATURES OF THE POST-WAR REGIONAL
INTEGRATION**

Two period have displayed especially intense activity the
1970s and the years since 1990. However, describing the postwar
experience with regional integration in terms of the number of agreements through the years over-states the trend to regional integration, because some have ceased to be operative de facto, and a number of agreements have superseded or modified earlier agreements. This is, in particular, the case of the agreements concluded by developing countries in the 1960s and those concluded by the EC in the early 1970s. Furthermore, the number of agreements per period is not indicative of the share of world trade covered, nor of the scope of the agreements in terms of trade liberalization or the coverage of measures other than tariffs on merchandise trade.

Three broad features characterize post-war regional integration. First, post-war regional integration has been primarily centered in Western Europe. The creation of the European Economic Community (EEC) in 1958 and of the European Free Trade Association (EFTA) in 1960 initiated a process of enlarging with other countries. Of the 109 agreements notified to GATT between 1948 and 1994, West European countries were parties in 76 instances. Recently, the end of the political divide between Western and Eastern and Eastern Europe in 1989 is the main factor behind the trade agreements concluded with Central and East European countries, which account for all but nine of the 33 agreements notified to GATT since 1990.

Integration through preferential trade agreements has also been a significant feature of the trade policies of non-European
GATT contracting parties. As a result, when the WTO was established on 1 January 1995, nearly all its members were parties to at least one agreement notified to GATT (notable exceptions are Hong Kong and Japan). These range from customs union such as the European Community and the CARICOM, to free trade areas such as EFTA and NAFTA, and to non-reciprocal preferential agreements such as the ACP-EEC Fourth Lome Convention. If APEC's recently agreed objective of achieving open trade and investment by the year 2020 is formalized as a free trade area, all WTO members will be parties to at least one preferential agreement and outsiders or third countries to others.

The second feature of post-war regional integration is the small number of agreements concluded by developing countries that have met their original timetables for the establishment of a free trade area or customs union. Reasons cited for the delays include the incompatibility of inward-oriented development policies and regional integration, strong vested interests in import-competing industries, and an external environment that weakened in the 1970s and early 1980s.

Although several agreements had the more modest objective of achieving free trade on a limited number of products, they proved to be largely disappointing avenues for development because the absence of wide sectoral coverage limited the potential trade and economic gains to members from liberalization.
Developing countries have renewed their interest in regional integration in the period since the Uruguay round began, particularly in Latin America and Asia, an interest attributed to the adoption of outward-oriented policies. The greater emphasis being placed on underpinning economic reform with appropriate macroeconomic and exchange rate policies suggests that the overall policy environment has become more conducive to the achievement of original regional integration objectives.

Third, the level of economic integration achieved between parties to agreements varies widely. Most notifications made to GATT have involved free trade areas, and the number of customs union agreements is small (most notably the European Community, CARICOM, and MERCOSUR). Among free trade agreements, a distinction which it is useful to make in terms of the level of integration achieved by parties is between reciprocal agreements and non-reciprocal agreements; in a reciprocal agreement, each member agrees to reduce or eliminate barriers to trade, while non-reciprocal agreements have been concluded by several developed countries for the stated purpose of assisting the trade expansion of certain developing countries, without a request for reciprocity having been made by the developed country partners.

This study is concerned primarily with notified regional integration agreements of the reciprocal type. The reason for this emphasis is that they are more numerous, more permanent, cover
a much larger share of world trade, and because dismantling restrictions on this basis represents an important step to achieve closer economic integration. The economic implications of such agreements have been the subject of a considerable body of research. For case of exposition, the term regional integration agreement is used as a generic term to describe all forms of reciprocal agreements, including instances—such as the Israel United States Free Trade Agreement—in which the members are not located in the same geographic region.

Among regional integration agreements, the range of products covered and the depth of liberalization in terms of tariff and non-tariff measures varies considerably. With respect to product coverage, all agreements cover industrial products (but with some exceptions, while most exclude agricultural products, unprocessed primary products (fishery and forestry products, and mining products. The exclusion for agricultural products is primarily due to the restrictive trade policies most governments maintain in this sector in the context of domestic programs of support for farmers. Within industrial products, the coverage ranges from a limited "positive list" composed of selected items, such as is the case in early agreements concluded by developing countries, to all such products. With respect to the depth of liberalization attained by members of regional integration agreements, most of the early agreements concluded by developing countries aimed at a partial reduction of tariffs, while agreements reached by developed countries, and more recently by developing countries, progressively...
eliminate tariffs on the products covered by the agreement. Few agreements eliminate the use of non-tariff border measures between members, such as import licensing, anti-dumping and countervailing measures. Indeed, only the EC has completed the liberalization of cross-border trade between members by removing tariff and non-tariff measures on all products. For these reasons, the term "free trade agreement" covers agreements with significantly different product coverage and depth of liberalization.

Between 1947 and the end of 1994, a total of 108 regional agreement were notified to the GATT. In looking at the complementarily between regional integration agreements and the multilateral trading system – first the GATT and now the WTO – the study makes a number of points:

- The scope for achieving tariff advantages at the regional feel is much reduced since, one, the Uruguay Round commitments are fully implemented 43 per cent of developed countries imports of industrial products from partners receiving MFN (Most-Favoured Nation) treatment will be duty-free, with an average of only 6.6 per cent on the remainder;

- With the importance of tariffs reduced, attention has shifted to the issue of non-tariff trade measures, which are seldom administered preferentially, and domestic policies (such as production subsidies), which cannot be administered preferentially;
Few regional agreements cover services, agriculture and the protection of intellectual property rights whereas the world Trade organization has provided an integrated system of rights and obligations at the multilateral level in all these areas as well as merchandise trade in general; and

At the same time, it is recognized that steps taken in certain regional integration agreements helped lay the foundations for progress in the Uruguay Round.

The report concludes that the co-existence of regional integration agreements and the world trading system has been "at last satisfactory, if not broadly positive." However, the WTO Secretariat finds some reasons for concern in the manner in which the GATT rules and procedures on customs unions and free-trade areas have operated. In particular, Article XXIV of GATT now subsumed within the WTO rules - requires that such agreements cover "substantially all trade" between members and that the level of trade barriers facing those outside be "not the 69 working parties called on to examine the conformity of customs unions and free-trade agreements with Article XXIV, only six have been able to reach a consensus.

The report examines various proposals that might arise in any attempt to improve the functioning of the rules and procedures on regional integration agreements; among these are
✓ Allowing the wording parties to review regional agreements before signature and domestic approval begins, in other words, while there is still scope for changing them;

✓ Clarifying the criteria laid down in Article XXIV and perhaps introducing new provisions to increase the protection of third country interests; and

✓ Improving transparency through an enhanced system of WTO surveillance of the performance and effects of regional integration agreements.

Members of other regional integration agreements will benefit from the enhanced transparency, predictability and procedural guarantees for the application of non-tariff measures to intra-area trade as well as to trade with third countries, under the WTO agreements, which they participated in negotiating in the Uruguay Round.

The Conclusion that have been drawn on the basis of questionnaire is that the WTO has gone further than most regional integration agreements in a number of areas, complementing the process of regional liberalization and extending those disciplines across all current and future trading partners on a global basis. For example, the TRIPS Agreement complement related provisions in regional agreement which (by definition) cover a limited number of trading partners. The WTO has also been provided with a strengthened dispute settlement system as well as a monitoring.
function, which together will bring increased transparency and predictability to trade and economic policies. Consequently, parties to regional integration agreements have ensured – by virtue of being members of the WTO – the adoption of an enhanced set of policies, and procedures for their trade and economic relations including with respect to each other.

3.3 **WTO AND DEVELOPING COUNTRIES**

Developing countries constitute three - fourths of the world population, enjoying only one – fourth of the global wealth. They are diverse in culture, economic conditions, social and political structures. There are number of developing countries which are the poorest of the poor, designated, by the United Nations as 'least developed'. There are few developing countries, which are oil exporting and among them there are some petroleum-rich OPEC countries whose national income has jumped. On the other, there are a number of developing nations which are oil importing.

Despite this diversity most developing nations do share a set of common characteristic features and well-defined goals. These include among others the reduction of poverty, inequality and unemployment, the provision of minimum levels of education, health, housing and food to every citizen, the broadening of economic and social opportunities and the forging of a cohesive nation-state. Related to these economic, social and political goals are the common problems shared in varying degrees by most developing countries – e.g. widespread and chronic absolute
poverty, high and rising levels of unemployment and underemployment, wide and growing disparities in the distribution of income, low and stagnating level of agricultural productivity, sizeable and growing imbalances between urban and rural level of living and economic opportunities, antiquated and inappropriate educations and health systems and substantial and increasing dependence on foreign and often inappropriate technologies, institution and value systems.

Keeping in view these salient features of developing nations as well as the problems they face, there is the need for a special treatment to be given to these nations. That is why like GATT the WTO has also given a special status to developing nations in general and the least developed countries in particular. An attempt is made here to examine the provisions under the WTO regime in regard to the recognition of special problems which developing countries and least developed countries (LDCs) face today.

**DEVELOPING NATIONS UNDER THE WTO REGIME**

The WTO framework recognizes the need to assist developing countries for achieving higher growth. The special status of developing countries in the GATT continues to receive recognition in the WTO. The preamble of the Agreement Establishing the WTO states that "there is a need for positive efforts designed to ensure that developing countries, and especially the least developed among them, secure a share in the growth of international trade commensurate with the needs of their economic development." in
addition to retaining the provisions that concerned developing countries in GATT 1947, the new agreements generally contain provisions for developing countries and least-developed countries, often consisting of longer transition period for the full implementation of some obligations and various exemption from obligations, particularly for the latter group of countries. Also, in some instances, the exports of developing countries benefit from a better treatment with respect to measures taken by other WTO Members. Technical assistance is to be provided to developing countries to assist them in assuming their obligations and more effectively realizing the benefits of the multilateral trading system.

Least-developed countries are singled out in the Final Act as requiring special attention. This is reflected in the agreements through a number of provisions which provide the most favourable treatment for this group in terms of rights as well as lower levels of obligations. In addition, the Decision on Measures in favour of Least-Developed countries makes provision for measures of special assistance, including technical assistance "in the development, strengthening and diversification of their production, to enable them to maximize the benefits from liberalized access to markets."

As part of its functions, the Committee on Trade and Development (a subsidiary body of the General Council) will periodically review the special provisions in favour of least-developed countries and report to the General Council of the WTO for appropriate action.
The Declaration on the Contribution of the WTO to Achieving Greater Coherence in Global Economic Policy-making identifies the need for strengthening the relationship between the activities of the WTO, the international Monetary Fund (IMF) and the World Bank as a way of ensuring greater coherence in global economic policy-making.

**TRADE PERFORMANCE OF LEAST-DEVELOPED COUNTRIES**

There are altogether 48 Least Developed Countries (LDCs), out of which 29 LDCs are the members of the WTO and 5 LDCs are its observers.

During the period (1980-95) LDC exports grew far more slowly than world trade and their collective share of the 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 has averaged less than 2 per cent, compared with 8 per cent for world trade as a whole.

Over 60 per cent of LDC exports is sold in developed country markets, mainly in the European Union (EU), the USA and Japan. 34 per cent is sold in developing country markets, of which the main ones are Brazil, China, Hong Kong (China), India, Indonesia, Korea, Malaysia, Singapore, South Africa, Thailand and Chinese taipec.

The product structure of the least-developed countries exports is familiar and has changed little over the past twenty-five years. Primary commodities, mainly minerals and tropical
agricultural products make up over 70 per cent of the total. Most are exported as raw materials with very little processing. Manufactured products (mainly textiles and clothing) constitute about 20 per cent of the least-developed countries exports in aggregate, but they are significant for only a few of them, notably Bangladesh.

The dependence of least-developed countries on exports of a narrow range of largely unprocessed primary commodities and raw materials, which are susceptible to price volatility on world markets, whose price a income elasticity of demand is low, and whose growth has been far more sluggish than world trade overall, is one of the main factors hindering their export performance. It also limits severely the stimulus that the export sector can provide to the domestic economies and of their exports, especially into main features, is seen as the most promising long-term solution to their increased participation in world trade.

WTO TRADE INITIATIVES FOR LDCS

WTO High Level Meeting held on 27-28 October 1997 in Geneva, Pushed the concerns of least-developed countries (LDCs) high on the world trade agenda with the launching of an inter-agency technical assistance programme for LDCs and announcements of concrete market-opening measures by many WTO members.

This meeting has pointed to new directions in assisting the LDCs," said WTO Director-General Renato Ruggiero, under lining
that "for the first time, six major international organizations have succeeded in wording together in responding to the specific trade needs of the LDCs." He reiterated a proposal, first made at the G-7 Summit in Lyon last year, for zero tariffs on LDC exports, pointing out that by the year 2000, 60 per cent of world trade will be free of duties due to the Uruguay Round, so it would not be such a major burden to remove tariffs on LDC exports."

During the meeting, 12 countries - Bangladesh, Chad, Djibouti, Guinea, Haiti, Madagascar, Mali, Nepal, Tanzania, Uganda, Vanuatu and Zambia - were the focus of separate round table session in which the respective trade ministers presented their needs for trade-related technical assistance to the six intergovernmental agencies involved in the meeting. The agencies proposed programmes of technical assistance each would provide to the country concerned.

The LDC is in the driver's seat: it determines what its trade needs are and monitors progress in assistance provided by international agencies. This is the guiding principle at the heart of the WTO's integrated approach to technical assistance for the LDCs, which was a major result of the High level Meeting.

Ministers at the first WTO Ministerial Conference adopted a WTO Plan of Action for the LDCs and called for the organization of the high Level Meeting. Pursuant to the plan of Action, the WTO, UNCTAD and ITC secretariats, in collaboration with the staff of the
IMF, World Bank and UNDP, developed an Integrated Framework for technical assistance to the LDCs.

Under this framework, responsibility for coordination of implementation and monitoring of activities lie with the LDC concerned. Each agency tailors its efforts in light of the specific needs of each country and the activities by other agencies. Thus, their efforts are coordinated, sequenced and synchronized, and reviewed regularly.

**MARKET ACCESS CONDITIONS FOR LDCS**

**Tariffs**

The overall unweighted average applied tariff facing least developed countries main exports in their twenty-three main export markets is 10.6 per cent. In their developed country markets, the average is 1.8 per cent; in their developing country markets it is 14.5 per cent. These averages will be reduced following full implementation of the results of the Uruguay Round negotiations.

**Quantitative Restrictions**

One of the most significant results of the Uruguay Round has been the reduction and in many cases the removal of quantitative import restrictions and other non-tariff measures affecting merchandise trade, many of which have acted in the past to limit least-developed countries exports.

Quantitative restrictions and other non-tariff measures can create a particularly serious obstacle to exporters from least
developed countries because of their more limited means for gaining information about the measures and meeting the procedural requirements that are involved. The same goes for origin requirements in the case of tariff preferences. From the least-developed countries point of view, the general rule about overseas market access restrictions is likely to be the simpler and more transparent, the better.

In the light of the agreements reached by WTO Members in Marrakesh and in Singapore regarding positive measures that can be taken to improve market access conditions in favour of least-developed countries, the following points may be found helpful:

1. While developed countries are the largest trading partners of the least-developed countries, developing countries are already important markets for least-developed countries exports and their importance is likely to increase;

2. Improved market access conditions for least-developed countries will become increasingly relevant as action is taken to correct the supply-side constraints that at present are limiting their capacity to produce for export;

3. Preferential access for least-developed countries' exports has an important role to play. To enable the least-developed countries to benefit to the maximum, preference schemes should be simple and transparent. The conditions attached to them should be applied flexibly. With regard to rules of
origin, consideration could be given to allowing for product cumulation;

4. Preference schemes could be structured in such a way as to encourage least-developed countries to diversify their exports into high value-added, processed and manufactured products;

5. Where least-developed countries account for a significant share of world exports of particular products, consideration could be given by their main trading partners to reducing and, where possible eliminating, tariffs on a bound MFN basis. This would minimize the risk of preferences in favour of least developed countries diverting trade from other low-income suppliers of the same products;

6. Non-tariff border measures can cause particular difficulties for least-developed country suppliers. In keeping with the proposal made in the WTO plan of Action for the Least-Developed Countries that "WTO Members should endeavor to make use, when possible, of the relevant provisions of the Agreement on Textiles and Clothing to increase market access opportunities for least-developed countries." WTO Members may also wish to consider removing quantitative import restrictions on products of particular export interest to least-developed countries at the earliest opportunity, particularly where least-developed country suppliers account for only a small share of the domestic market; and
7. High priority would be given to assisting least-developed countries to build the necessary domestic institutional capacity to meet technical regulations, product standards and sanitary and phyto-sanitary measures which they encounter in their main export markets.

3.4 SUBSIDIES AND COUNTERVAILING MEASURES

From the paradigm of fair trade the subsidization of the product is the other type of unfair trade action addressed by WTO, under the Agreement on subsidize and countervailing duties unlike dumping subsidies for the most part are action of governments resulting from deliberate governmental policies. Under GATT 1947 two types of subsidies were broadly distinguished the one was domestic subsidies and the next was export subsidies. Domestic subsidies were allowed whether the products were exported or not. Not only the GATT 1947 but also the 1979 Tokyo Round Agreement on subsidies by and large took a benign view of domestic subsidies. Only export subsidies on non-agricultural products were forbidden. The Major drawbacks hinged on these agreements was the granting to parties to impose unilaterally countervailing duties to offset both domestic and export subsidies. Subsidies were not defined and any subsidy could be made the object of countervailing duty terminations. Under WTO, subsidy and countervailing duty agreement the concept is considerably modified in comparison to the Tokyo Round.
The Major Change and modification is the 'traffic light' approach i.e. the red, yellow and green light approach. The red light subsidies are not prohibited but actionable if caused adverse effect on other members and the green light subsidies are permitted.

**PROHIBITED OR RED LIGHT SUBSIDIES**

There are those subsidies, which are based on export performance in law or in fact. Export performance subsidies in a product only exists if a country's export of that product have reached a share of at least 3.25 percent in world trade of that product for two consecutive calendar years and cover these supports to domestic goods over the imported goods also. No grandfather rights are provided for in the date of entry into force of the WTO Agreement are to be notified within 90 days and brought into conformity within three years.

Subsidies on export performance as specified in Article 3.1(a), does not apply to some DCs unless they cross GNP per capita $1000 per annum. LDCs are only accorded for 8 years concession on domestic support over imported goods under Article 3.1(a) while the DCs are entitled for the time concession for 5 years.

If the developing country member deems it necessary to apply such subsidies beyond the eight year period it shall not later than one year before the expire of this period enter into consultation with the committee which will determine whether an extension of this period is justified after examining all the relevant economic, financial and development needs of the members in question.
ACTIONABLE OR YELLOW LIGHT SUBSIDIES

Are those subsidies, which cause adverse effort to the members by injuring their domestic industry, nullifying or impairing their benefits under the GATT 1994 or causing them serious prejudice. This case may arise when the effect of the subsidy is to display or impede imports of like products into the subsiding member's market or export to a third country market. Services prejudice may also arise when the effect of the subsidy is a significant undercutting by the subsidized products as compared with the price of a like product of another member in the same market or finally in the case of primary products when the effect of the subsidy is to increase world market share of the subsidising country over its previous three year average. Further more serious prejudice is presumed to exist if the total subsidation amounts to more than 5% of the product value is subsidies are extended to cover industry operating losses the repeated losses of an enterprise or if they are provided in the from of debt forgiveness or of grants for debit repayment.

NON ACTIONABLE OR GREEN LIGHT SUBSIDIES

Are those subsidies, which are permitted under the framework of the agreement? These are following:

i) Non-specific subsidies are those, which do not fall under the parameter of Article 2.

ii) Subsidies granted to cover a portion of cost of research and Pre competitive development activities under this
category the research subsidies must be strictly connected to research activities of the undertakings and the level of research costs which may be subsidised is respectively 75% or 50% in accordance with whether the research relates to industrial research or pre-competitive development activity is meant to include up to the development of the first commercial prototype

iii) Subsidies granted to assets disadvantaged regions. The difficulties experienced by that region must be linked with structural problems. The concept of a disadvantaged region must comply with precise economic criteria (incomes which are not above 85% or an unemployment rate which is at least equal to 110% of the national average) and the regional subsidies must be subject to ceilings based on the level of development of the region receiving aid.

iv) Subsidies to promote the adaptation of existing facilities to new environmental requirements. Environmental did must be limited to the adaptation of existing facilities made necessary environmental law.

A pertinent question arises in this respect that whether the provision of non-actionable subsidy is either in favour of developing countries or in favour of developed countries Demerat opines that the provisions relating to non-actionable subsidy is reasonably favoured from the point of view of the interests of the European
Community and its member states they can pursue an industrial research policy and a regional policy as in the past US only agreed on acceptance of non-actionable subsidy within agreement while the EU and other parties agreed on the following three conditions:

i) Review following a period of 18 months.

ii) If such subsidy causes serious prejudice to industries of other countries under such situation authorise the complaining party to take countermeasures and;

iii) Are subject to advance notification

The conclusion that have been drawn on the basis of questionnaire is that because of the short term political and economic appeal of subsidy programmes, they have proliferated throughout the world and the GATT has done little to curb, discipline or discourage them some of us had high hopes that the Uruguay Round would dramatically improve the GATT subsidies Agreement but the changes were modest and some are retrogression rather than an improvement. WTO member - nations simply have not had the political will to discipline subsidy practices in a meaningful way. And when there has been discipline it has come from countervailing duties to offset the subsidies rather than from negotiation decreases in subsidy levels. In other worlds the preferred solution eliminating the trade distortion has not been viable. So it is still unpredictable how this agreement provides an impetus to developing and least developing countries to secure a place in international market.
A subsidy by implication helps one section of the community by procuring resources from the rest of society. The position is similar to the one in which the government undertakes expenditure for welfare measures out of its revenue. However, subsidies bring the objective and the desire to achieve it on the part of the authorities in a sharp focus and evoke a more controversial response. Both in theory and in practice.

Whether practicing subsidy in a pervasive and intensive manner by member states boosts up their individual development and causes to attain their social goal. Subsidies in international trade in a pro-rich and not pro-poor in one side, on another side it is a burden over state and distorts resources distribution. In fact the aim behind supplying subsidy is to ensure regulation over prices cost distribution system or overall control over market. Market control is already seen as an ill-fated practice and as a corollary of market regulation subsidy reduces country’s economic welfare. From the developing countries point of view control over subsidy in international trade will be more beneficial because heavy subsidy supplier are not the LDCs and DCs but the developed countries.

3.5 TRADE RELATED INVESTMENT MEASURES

The objectives of the Agreement, as defined in its preamble, include "the expansion and progressive liberalization of world trade and to facilitate investment across international frontiers so as to
increase the economic growth of all trading partners, particularly developing country members, while ensuring free competition".

The coverage of the Agreement is defined in Article 1, which sites that the Agreement applies to investment measures related to trade in goods only. Thus, the TRIMs Agreement does not apply to services.

The term "trade-related investment measures" ("TRIMs") is not defined in the Agreement. However, the Agreement contains in an annex an Illustrative List of measures that are inconsistent with GATT Article III:4 or Article XI:1 of GATT 1994.

THE TRIMS AGREEMENT AND REGULATION OF FOREIGN INVESTMENT

As an agreement that is based on existing GATT disciplines on trade in goods, the Agreement is not concerned with the regulation of foreign investment. The disciplines of the TRIMs Agreement focus on discriminatory treatment of imported and exported products and do not govern the issue of entry and treatment of foreign investment. For example, a enterprises is inconsistent with the TRIMs Agreement because it involves discriminatory treatment of imported products in favour of domestic products. The fact that there is no discrimination between domestic and foreign investors in the imposition of the requirement is irrelevant under the TRIMs Agreement.
Basic Substantive Obligations

Article 2.1 of the TRIMs Agreement requires Members not to apply any TRIM that is inconsistent with the provisions of Article III (national treatment of imported products) or Article XI (prohibition of quantitative restrictions on imports or exports) of GATT 1994.

TRIMs which are inconsistent with the national treatment obligation of Article III:4 of GATT 1994

(i) TRIMs, which require the purchase or use by an enterprise of products of domestic origin or domestic source (local content requirements).

(ii) Trade-balancing TRIMs, which limit the purchase or use of imported products by an enterprise to an amount related to the volume or value of local products that it exports. In both cases, the inconsistency with Article III:4 of GATT 1994 results from the fact that the measure subjects the purchase or use by an enterprise of imported products of less favourable conditions than the purchase or use of domestic products.

TRIMs which are inconsistent with the prohibition on imposition of quantitative restrictions of Article XI:1 of GATT 1994

Paragraph 2(a) of the Illustrative List covers measures which limit the importation by an enterprise of products used in its local production in general terms or to an amount related to the volume or value of local production exported by the enterprise. There is a conceptual balancing measure. The difference is that paragraph
1(b) deals with internal measures affecting the purchase or use of products after they have been imported, while paragraph 29a) deals with border measures affecting the importation of products.

Measures identified in paragraph 2(b) of the list involve a restriction of imports in the form of a foreign exchange balancing requirement, whereby the ability to import products used in or related to local production is limited by restrictions on the exportation of or sale for export by an enterprise, whether specified in terms of particular products, volume or value of products or in terms of proportion of volume or value of its local production. Since paragraph 2 applies the provisions of Article XI:1 of GATT 1994, it deals only with measures that restrict exports. Other measures relating to exports, such as export inventive and export performance requirements are therefore not covered by the TRIMs Agreement.

**General exceptions in TRIMs**

Article 3 of the TRIMs Agreement provides that all exceptions under GATT 1994 shall apply, as appropriate, to the provisions of the TRIMs Agreement.

**Developing countries and TRIMs**

Article 4 allows developing countries to deviate temporarily from the obligations of the TRIMs Agreement, as provided for in Article XVIII of GATT 1994 and related WTO provisions on safeguard measures for balance-of-payments difficulties.
Committee on Trade-Related Investment Measures

Article 7 of the TRIMs Agreement establishes a committee on Trade-Related Investment Measures as a forum to examine the implementation operation of the Agreement. The Committee usually meets twice a year. Much of the work of the Committee to date has focused on the notifications received under Article 5.1 of the Agreement.

Dispute Settlement

The general WTO dispute settlement procedure, as laid down in the Dispute Settlement Understanding, also applies to disputes arising under the TRIMs Agreement (Article 8). Issues relating to the alleged inconsistency of particular measures with the TRIMs Agreement have been raised in a dispute settlement proceeding in which a panel was established in 1997 concerning measures applied by Indonesia in the automotive sector. The TRIMs Agreement has also been referred to in the disputes concerning the European Community import regime for bananas; however, the panels established in those disputes did not make findings under the TRIMs Agreement. Measures taken by Brazil and the Philippines have been the subject of bilateral consultations pursuant to the TRIMs Agreement.

Review of the TRIMs Agreement : Investment Policy and Competition Policy as Subjects for Future Consideration

Article 9 stipulates that, not later than five years after the date of entry into force of the Agreement, the Council for Trade in
Goods shall review the operation of the TRIMs Agreement. In this review, consideration is to be given as to whether the Agreement should be supplemented with provisions on investment policy and competition policy. The first WTO Ministerial conference held in Singapore in 1996, established working groups on trade and investment and on trade and competition "having regard to the existing WTO provisions on matters related to investment and competition policy and the built-in agenda in these areas, including under the TRIMs Agreement.

3.6 GENERAL AGREEMENT FOR TRADE IN SERVICES (GATS)

The agreement on trade in services reached in the Uruguay Round is perhaps the most important single development in the multilateral trading system since the GATT itself came into effect in 1948. The new General Agreement on Trade in Service (GATS) for the first time extends internationally-agreed rules and commitments, broadly comparable with those of the GATT, into a huge and still rapidly growing area of international trade. Although reliable statistics on services are few, conventionally measured trade in services is generally agreed to be equivalent in value to about one-quarter of international trade in goods. The reach of the GATS rules extends to all forms of international trade in services. This means that the GATS agreement represents a major new factor for a large sector of world economic activity. It also means, because such a large share of trade in services takes place inside national economies, that its requirements will from the beginning
necessarily influence national domestic laws and regulations in a way that has been true of the GATT only in recent years.

**THE GATS ; THE BASIC AGREEMENT**

The 29 Articles (32, if three bis Articles are counted separately) of the GATS agreement amount together to barely half the length of the GATT's 38 Articles. The agreement as a whole has six parts. An opening section sets out the scope and definition of the agreement. Part II, the longest, deals with general obligations and disciplines: That is, with rules that apply, for the most part, to all services and all members. Part III sets out rules governing the specific commitments in schedules. Part IV concerns future negotiations and the schedules themselves. Part V and VI cover institutional and final provisions.

A preamble to the agreement essentially states three considerations that shaped to its negotiation. First, the establishment of a multilateral framework of principles and rules, aimed at progressively opening up trade in services, should help this trade to expand and to contribute to economic development worldwide. Second, WTO members, and particularly developing countries, will still need to regulate the supply of services to meet national policy objectives. And third, developing countries should be helped to take a fuller part in world trade in services, particularly through strengthening the capacity, efficiency and competitiveness of their own domestic services.
Part I (Article I) defines the scope and coverage of the GATS. The agreement applies to measures by WTO members which affect trade in services. All services are covered, except those "supplied in the exercise of governmental authority", these being defined as services (such as central banking and social security) which are neither supplied on a commercial basis nor in competition with other service supplied on a commercial basis nor in competition with other service suppliers.

Part II sets out "general obligations and disciplines". These are basic rules that apply to all members and, for the most part, to all services.

GATS Article II, on most-favoured-nation treatment, thus directly parallels the centrally important Article I of the GATT. Its first paragraph states that "with respect to any measure covered by this Agreement," (coverage which of course has just been defined very widely in Article I) "each Member shall accord immediately and unconditionally to services and service suppliers of any other Member treatment no less favourable than it accords to like services and service suppliers of any other country. This classical statement of the MFN principle is, however, qualified. A member is permitted to maintain a measure inconsistent with the general MFN requirement if it has established an exception for this inconsistency. During the Uruguay Round, it became clear that unqualified liberalization in some service sectors could not be achieved, and that liberalization subject to some temporary MFN
exceptions would be preferable to no liberalization at all. The result was that more than 70 WTO members made their scheduled services commitments subject to a further list of exemptions from article II.

These exemption lists are governed by conditions set out in a separate annex to the GATS. The annex makes it clear that no new exemptions can be granted, at least by this route: any future requests to give non-MFN treatment can only be met through the WTO waiver procedures. Some listed exemptions are subject to a stated time limit. For those that are not, the annex provides that in principle they should not last longer than ten years.

Other rules in Part II are intended to ensure that benefits under the GATS are not blocked by domestic regulations. Generally applied measures that affect trade in service sectors for which a country has made commitments must be applied reasonably, objectively and impartially. Applications to supply services under such commitments must receive a decision within a reasonable period of time. There must also be tribunals or other procedures to which service suppliers can apply for a review of administrative decisions affecting their trade. The Council for Trade in services is called on to develop rules to prevent requirements on qualifications for services suppliers, technical standards or licensing from being unnecessary barriers to trade. (A separate Ministerial Decision has launched this programme by establishing a GATS working party to prepare rules for the requirements that governments impose on
professional service suppliers. The first disciplines to be drawn up
applied to technical standards, qualification and licensing
requirements for accountancy services.) Until such multilateral
rules are ready in other areas, governments are to follow the same
principles in applying their requirements and standards, so that
these do not nullify on impart specific comments they have made.
The GATS also urges members to recognize the educational or other
qualifications of service suppliers of other countries. It allows
governments to negotiate agreements among themselves for mutual
recognition of such qualifications, provided other countries with
comparable standards are given a chance to join. Qualification
requirements are not to be applied in a way that discriminates
between countries or constitutes a disguised restriction on trade in
services, and should be based wherever appropriate on
internationally agreed standards.

Article VII is particularly close to GATT's Article XVII on state
trading. A monopoly supplier of a service must not be allowed to
act inconsistently with a member's MFN obligations or its specific
commitments, nor to abuse its monopoly position. If a country that
has made specific commitments to allow supply of a service later
grants monopoly rights for that supply, and thus negates or
impairs the commitments, it will have to negotiate compensation.

Article XII, on restrictions to safeguard the balance of
payments, sets out provisions similar to those in GATT Articles XII
and XVIII:B. It permits members in serious balance-of-payments
difficulties (or threatened by such difficulties) to restrict trade in services for which it has undertaken commitments. Developing countries, or countries in transition, may use such restrictions to maintain a level of reserves adequate for their development or transition programmes. However, such restrictions must not discriminate among members, cause unnecessary damage to the interests of other members or be more restrictive than necessary in the circumstances, and must be temporary and phased out as the situation improves. Priority may be given to essential services, but the restrictions must not be adopted or maintained to protect a particular sector. Periodic consultation which member maintaining Article XII restrictions must undertake in the WTO are governed by rules effectively the same as those for goods, and will take place in the single WTO Balance-of-Payments committee which examines all restrictions introduced for this purpose. Except as permitted by article XII, a member may not restrict international transfers and payments for current transactions related to the specific services commitments it has undertaken.

One general obligation of the GATS has no GATT counterpart. This is Article IX, which Pioneers in multilateral trade agreement in recognizing that "certain business practices" of service suppliers may restrain competition and thereby restrict trade in services. Members agree to consult on such practices, when so requested by another member, and to exchange information with a view to eliminating them.
Article XVI starts by stating that each member is to give no less favourable treatment to the services and service suppliers of other members than is provided in its schedule of commitments. This provision makes it clear that service commitments resemble those in a GATT schedule at least in one very important respect: they are bindings which set out the minimum, or worst permissible, treatment of the foreign service or its supplier, and of course in no way prevent better treatment from being given in practice.

The remainder of the article sets out six forms of measure affecting free market access that may not be applied to the foreign service or its supplier unless their use is clearly provided for in the schedule. Between them, the six elements cover all the aspects of limitation of market access that may be specified in national schedules. They are:

- Limitations on the number of service suppliers;
- Limitations on the total value of services transactions or assets;
- Limitations on the total number of service operations or the total quantity of service output;
- Limitations on the number of persons that may be employed in a particular sector or by a particular supplier;
- Measures that restrict or require supply of the service through specific types of legal entity or joint venture; and
Percentage limitations on the participation of foreign capital, or limitations on the total value of foreign investment.

Article XVII deals very similarly with national treatment, although it does not follow Article XVI in setting out a list of measures that would be incompatible with such treatment. It states that in the sectors covered by its schedule, and subject to any conditions and qualifications set out in the schedule, each member shall give treatment to foreign services and service suppliers treatment, in measures affecting supply of services, no less favourable than it gives to its own services and suppliers.

At first sight, it may difficult to understand why the right to national treatment is restricted under the GATS to services for which commitments have been undertaken, whereas under the GATT it applies to all goods. The reason lies in the nature of trade in services. Universal national treatment for goods is possible, without creating free trade, because the entry of foreign goods into a national market can still be controlled by import duties, quantitative restrictions and other bolder measures. By contrast, a foreign supplier of most services, particularly if those services are supplied by commercial or personal presence in the importing country's market, will in practice enjoy virtually free access to that market if given national treatment, since this by definition will remove any regulatory advantage enjoyed by the domestic service supplier.
The remaining provision in Part III, Article XVIII, says that members may also negotiate additional commitments (not additional restrictions) with respect to other measures affecting trade in services, such as those on require qualifications, standards and licensing.

Part IV puts liberalization into practice. Two of its three articles are essentially technical. The third has a much broader sweep.

One of the technical articles, Article XX, simply spells out the procedural implications of Part III which, prescribes the rules for specific commitments on services. The article lists the elements to be covered in each member's schedule and in the same way as Article II of the GATT, provides that the schedules from "an integral part" of the GATS agreement itself. This wording underlines that the detailed commitments in each schedule are international obligations on the same level as the GATS (and indeed of the WTO package as a whole).

The other technical article provides rules for modifying or withdrawing commitments in schedules. The GATT has similar rules. Circumstances may well arise in which a government may wish to take back something it has given in past negotiations. It can do so, but only at a price, and after due notice.

The Conclusion that have been drawn on the basis of questionnaire is that in looking at the GATS agreement, as well as at the significance of the specific services commitments undertaken
by WTO members, it must be borne in mind that the Uruguay Round services package is only a beginning. The GATS rules are not quite complete, and are largely untested. The process of filling the gaps will require several more years of negotiations, and experience will no doubt show a need to improve some of the existing rules.

The fact that the GATS rules are still necessarily untested, and that the services schedules are much more complex than those for goods, adds to the difficulty of assessing exactly what rights and obligations WTO members have assumed under the services package.

3.7 WTO'S ACTION PLAN FOR LEAST DEVELOPED COUNTRIES

A major achievement of the WTO is the adopting of the plan of Action for Least Developed countries which mandates the WTO in coordination with other international organisation to take an active role in assessing least developed countries and developing an autonomous basis to explore the possibilities of graviting duty free access to least developed countries.

The developing countries have almost doubled their share of international trade – share that now stands at 25% and diversified their exports participation in trade by 29 least developed country members of the WTO has fallen from about 1.4% in 1960 to under 0.4 percent in 1995. This marginalisation is also seen in foreign direct investment for LDC's receive less than 2% whereas
developing countries as a whole attract 37%. These countries depend almost entirely on exports of a few commodities, minerals or tropical products and they trade. Chiefly under regional preferential arrangements or generalised system granted or preferences by developed countries. Special urgent Measures are therefore needed to help them develop and diversify their trade to draw benefit from the WTO trade system and to join the world economy on the eve of the twenty first century.

In this regard two major initiatives have concluded in favour of least developing countries.

i) Uruguay Round ministerial Decision in Favour of Least Developed countries.

ii) WTO Action plan for the least Developed countries.

The Uruguay Round Ministerial Decision recognised that the plight of the least developed countries and the need to ensure their effective participation in the world trading system and to take further measures to improve their trading opportunities acknowledge the specific needs of the least developed countries in the area of market access where continued preferential access remains an essential means for improving their trading opportunities. It reaffirmed the commitment that the least developed countries will be accorded differential and more favourable treatment. The decision facilities:
i) Additional time of one year granted to submit their schedules as required under Article XI of the WTO agreement.

ii) Expeditious implementation of all special and differential measures taken in Uruguay Round.

iii) Autonomous implementation of MFN concessions on tariff and non-tariff measures.

iv) Further improve GSP and other schemes for products of particular export interest to least developed countries.

v) The rules set out in the various agreements and instruments and the transitional provisions of the Uruguay Round should be applied in a flexible and supportive manner.

vi) Special consideration shall be given to the export interest of the least developed countries.

vii) Least Developed countries shall be accorded substantially increased technical assistance in their development process.

The most significant achievement of the WTO plan of Action is grant of preferential duty free access for the exports of least developed countries though in aggregate the plan for Action can be viewed in the following comments:

i) **Preambutatory Commitment**: The preamble of the plan of Action makes a commitment to adopt positive measures in
favour of the least developed countries and has developed a comprehensive approach of assistance to facilitate the advantage of the opportunities provided in the WTO agreements to attract the FDI. This comprehensive approach also includes measures relating to the implementation of the Decision in favour of the least developed countries as well as capacity building and market access from a WTO perspective.

ii) **Call for Action**: The WTO members are called for to set up their efforts to improve the capacity of least developed countries to meet their notification obligation. Implementation of the commitments to least developed countries is effectively reviewed in every two years and the committee on trade and development is required to explore greater disclosure in favour of least developed countries.

iii) **Human and Institutional capacity Building**: This covers technical cooperation both in human and institutional building with a comprehensive approach outlining a division of labour in particular with UNCTAD, ITC, UNDP, World Bank, and IMF and involvement of Development Assistance committee and the OECD is expected. The technical cooperation generally covers training courses for public sector officials and private sector and participation of least developed countries officials in WTO meetings would be financed by strictly by voluntary contribution.
iv) **Market Access**: Developed country members and the developing country members on our autonomous basis would explore the possibilities of granting preferential duty free access for the exports of least developed countries and WTO members are expected to make an endeavor to use, when possible of the relevant provisions of the Agreement on Textile and Clothing to increase market access opportunities for least developed countries. In this regard members our permitted to extend certain benefits to the least developed countries even through a unilateral decision. WTO members are expected to pursue preferential policies to least developing countries on an autonomous basis.

v) **Other Institutes**: The WTO secretariat shall provide factual and legal information to assist least developed countries in drawing up their memorandum on the Foreign Trade Regime as their schedules of concessions for goods and commitments in services. Similarly in accordance with its mandate the WTO shall endeavor to work jointly with other relevant multilateral and regional institutions to induce investment in least developed countries as a result of new trade opportunities. An individual member may study the feasibility of binding preferential tariff rates in a WTO preferential scheme which could be applicable to least developed countries only.
Yet this scheme is not mandatory rather it is directory and just a goal finder. The conclusion that have ben drawn on the basis of questionnaire is that whatever preferential treatment and duty free access to the least developing countries export is committed depend upon the discretion of the developed countries. The implementation side of this agreement is very weak in one hand in another hand it is not specific in concession facilitation to least developed countries. So if international trade is to reflect and result in a just and equitable world under a binding measure instead of these goal finders on lease developed country member is to be put in an anvil.

3.8 INFORMATION TECHNOLOGY AGREEMENT

The Ministerial Declaration on Trade in Information Technology Products (ITA) was concluded at the Singapore Ministerial Conference in December 1996. At the time 29 (including the 15 EC member states) countries or separate customs territories signed the declaration. However, it was still unclear at that time whether the provisions of the Declaration would come into effect, as the Declaration stipulated that participants representing approximately 90 percent of world trade would have to notify their acceptance of the ITA by 1 April 1997. The original 29 signatories did not reach this 90 percent trade coverage criteria, as they collectively only accounted for 83 percent of world trade in information technology (IT) products. However, in the ensuing month after the Singapore Ministerial and leading up to 1 April
1997, a number of other countries expressed an interest in becoming participants in the ITA and notified their acceptance. Thus, the 90 percent criteria had been met and the ITA entered into force with the first staged reduction in tariffs occurring on 1 July 1997.

**BASIC PRINCIPLES OF THE ITA**

The ITA is solely a tariff cutting mechanism. While the Declaration provides for the review of non-tariff barriers (NTBs), there are no binding commitments concerning NTBs. There are three basic principles that one must abide by to become an ITA participant: 1) all products listed in the Declaration must be covered, 1) all must be reduced to a zero tariff level, and 3) all other duties and charges (ODCs) must be bound at zero. There are no exceptions to product coverage, however for sensitive items, it is possible to have an extended implementation period. The commitments undertaken under the ITA in the WTO are on a MFN basis, and therefore benefits accrue to all other WTO Members.

**Normal implementation period**

Staging of concessions – the Declaration provides in principle for the staging – in of concessions in equal rate reductions based on the following timeframe:

| 1<sup>st</sup> | 1 July 1997 |
| 2<sup>nd</sup> | 1 January 1998 |
| 3<sup>rd</sup> | 1 January 1999 |

**Extended staging/developing countries**

The Declaration provides that "unless otherwise agreed by the participants" each participant would follow the staged reductions listed above. However, there have been a number of countries that have requested extended staging (beyond the year 2000) during the course of negotiations, and which have been agreed to by the other participants. This is reflected in their schedule of commitments. In general, developing Countries have requested and received extended staging for at least some products in their schedule. In no case, however, is that extended staging period beyond the year 2005.

**The ITA today**

After the ITA came into being, the participants saw the need to establish a formal Committee under the WTO to carryout the provisions of the Declaration. The document on Implementation of the Ministerial Declaration on Trade in information Technology Products sets out the establishment of the Committee. The Committee held its first meeting on 29 September 1997, and there have been approximately five formal meetings per year of the Committee since that time. The Committee has established rules of procedure, which are similar to other WTO bodies and typically has a diverse agenda of matters relating to the ITA.
Ongoing Work of the Committee

In addition to the topic of product coverage, mentioned below, the Committee has worked on a number of issues since its inception. These include the examination of classification divergences, consultations on non-tariff barriers, invoking new participants, and discussing implementing new participants, and discussing implementation matters.

ITA II

The Ministerial Declaration and the Implementation document provides that participants will periodically review the product coverage (often termed ITA II) specified in the Attachments to the Declaration. The first review commenced in October 1997 when participants were invited to submit lists of additional information technology products for possible additional tariff concessions. In 1998, participants continued to discuss the lists, provide clarification, exchange views, and negotiate with a view to making a decision on whether to revise the Attachments by 30 June 1998. However, no agreement could be reached at that time, and the process continued throughout 1998. At subsequent meetings of the Committee, still no agreement could be reached and to date there has been no products added to the original coverage. Consultations between delegations on the review of product coverage continue.

3.9 BASIC TELECOMMUNICATION

The Singapore conference declared that the fulfillment of the objectives agreed at Marrakesh for negotiations on the
improvements of market access in services in financial services, movements of natural persons, maritime transport services and basic telecommunication has proved to be difficult. The results have been below expectations. In three areas it has been necessary to prolong to obtain a progressively higher level of liberalization in services on a mutually advantageous basic with appropriate flexibility for individual developing country members as envisaged in the Agreement in the continuing negotiations and those scheduled to begin no later than 1st January 2000. In this we look forward to full MFN agreements based on improved market access commitments and national treatment. Accordingly, it is agreed for –

i) Achieve a successful conclusion to the negotiations on basic telecommunication in February 1997.

ii) Resume financial services negotiations in April 1997 with the aim of achieving significantly improved market access commitments with a broader level of participation in the agreed time frame.

The meeting of the committee on trade in Financial services held on 10th April 1997 making the resumption of negotiations in the financial services and have underlined their commitment to conclude the talks successfully by 12th Dec. 1997.

As expected and mandated in Singapore conference the WTO negotiations on basic telecommunication concluded successfully on 15th February, 1997 with far reaching commitments from 69
governments accounting for more than 90% of global telecoms revenues to liberalize the trade in the sector.

There is no standard international definition for 'basic telecommunication' At the outset of the WTO negotiations participants agreed to set aside the different definitions, they use domestically and negotiate all telecommunication services except those consider to be 'value-added' or enhanced. Such services may include storage and retrieval such as electronic mail or online information and database retrieval or these that include some types of conversion of the information being transmitted.

In welcoming the agreement the director General of the WTO Mr. Renato Ruggiero said that the telecoms deal will contribute to lower costs for consumers and the price reduction will be very significant.

This good news for firms, which in the aggregate spend more on telecommunication services than they do on oil. It is also good news for families that in today's world are so often separated by physical distance. He added that telecom liberalization could mean income gains of some one trillion dollars over the next decade or so, which represents around 4% of world GDP at today's price.

The liberalization commitments are continued in 55 schedules representing 69 WTO member governments, which have been annexed to the fourth protocol of the General Agreement on Trade in services. The commitments enter into force on January 1998 and only cover cross border supply of telecommunication but also services provided through the establishment of Foreign firms.
or commercial presence including the ability to own and operate independent telecoms network infrastructure.

Services covered by the agreement include voice telephony data transmission, telex, telegraph, facsimile private leased circuit services (i.e. the sale or lease of transmission capacity) fixed and mobile satellite systems and services, cellular telephony, mobile data services, paging and personal communication system.

Global telecom services revenue in 1995 stood at Vs $601 billion, a figure, which represented 2.1% of global GDP. Revenue from mobile services was estimated at about $82 billion, a figure in 1995 accounting for 10% of total revenue.

The leading share of the world telecom revenue is held by the very few industrialized countries. EC, US, Canada, Switzerland, Hong-Kong and Japan held 77% of the world market in 1995 only the EC, US and Japan share stood more than half of the world market.

And in another side the most of the developing country account very nominal share of the global telecom revenue and activity. Though same of the developing countries rank in the top of the ten in sharing the telecom revenue, particularly, they are Korea, Brazil, Mexico and Argentina ranked within top ten. In number of telephone main lines, koria ranked in top five and Turkey, brazil, India and Mexico among the top ten.

Developing countries often do not necessarily rank high. The telecom indicators are experiencing much higher growth in telecommunication sector than more advanced countries. Among
the reasons for this are higher overall economic growth rate in some developing countries as well as efforts to expand the sector rapidly from infrastructure and service levels which are generally much lower than those already in place in developed countries. For example in main telephone lines, industrialized countries experience an average annual growth rate of only 3.5% from 1990-95 where the telecom revenue growth of developing countries was more than double at 9.7% over the same period.

Most importantly of all from a longer-term perspective this deal goes well beyond trade and economics. It makes access to knowledge easier. It gives nations large and small, rich and poor, better opportunities to prepare for the challenges of the twenty first century. Information and knowledge after all are the raw material of growth and development in our globalised world.

3.10 FREE TRADE AND ENVIRONMENT

Trade and environment two different paradigms, while put into a single gluing framework, gambol interchangeably as dependent and independent variables. They used to represent and still in some respect represent a divergent culture that is of trade specialist and environmentalists. It is because of the concept that trade liberalization per se is not necessarily linked to either environmental degradation or environmental preservation and remediation. Philosophy of global integration and non-interventionist state worked as a foundation stone of free trade, which is not necessarily same as the idea of effective state as proposed by the World Bank, while the environmental protection
requires an interventionist state. The link between trade and environment has been delinked by the rigorous concept of noninterventionist and interventionism. Inquisition of such a rhetoric and linkage-gene may be the effective state.

Free trade policy is designed to let markets allocate resources to their most efficient uses, while environmental policy seeks to manage and maintain the earth's resources efficiently. Conflicts can and do arise where the same resources are subject to both trade efforts to allocate and environmental efforts to manage and maintain. This conflict must be reconciled, both from the point of view of environmental and trade policies. Yet, our concern is how this problem is dealt under WTO and how it must be dealt in future.

Two basic approaches are overseen. One pleads for a harmonised environmental standards in international scale and other asserts on letting states to build their own environmental policies or allowing diversity of environmental policies. Eminent authority like Bhagwati, pleads for diversification of environmental standards, unlikely to his arguments for harmonised trade standards, basically on two grounds: First, nation may legitimately have different ideas about what is a reasonable standard. Moreover, even nations that share the same values will typically choose different standards if they have different incomes: advanced-country standards for environmental quality and labour relations may look like expensive luxuries. Second, to the extent that nations for whatever reason choose different environmental standards, this
difference like any difference in preferences actually offers not a reason to shun international trade but an extra opportunity to gain from such trade.

While the unilateral or diversified free trade could not take place, how the environmental issue relating to trade becomes external issue providing a logistic support for not invoking harmonization in environmental sphere. The supports of harmonization offer a more subtle arguments that: One, is race to the bottom argument, which pleads that, environmental policy would raise world welfare if implemented by all countries simultaneously and will reduce national welfare if implemented unilaterally. Second, unilateral environmental policies decrease the return of investment and discourage capital flow.

The question of the choice of diversification and harmonization catches our imagination from different dimensions. These are; what policy adoption by WTO reconciles the values of free trade and environmental protection? How free trade and sustainable development is enhanced Abreast? Among diversification or harmonization, which approaches suit best to attain the objective of WTO. How far for this reason the structural and functional pattern of WTO is to be modified? Whether one separate agreement on Trade and Environment’ is necessary? How the interests of the developing countries is best protected? And how the interests of free trade and environment as human right is propitiated?
ENVIRONMENT COMMITTEE UNDER GATT?

The impact of environmental regulation on trade became the subject of discussions in the GATT in the late 1960s. This was a period when fears had arisen about the limits to growth and the rapid depletion of global natural resources. Environmental policies began to be pursued with some vigour in OECD countries, leading to complaints by affected industries that the costs of these regulations reduced their ability to compete in world markets. A Working Group on Environmental measures and International Trade was established by GATT contracting parties in 1971. However it never met, as interest in the subject waned following the recurrent oil price shocks and the economic turmoil that followed.


The underlying intent of Uruguay Round was trade liberalisation, through the removal of both tariff and non-tariff barriers, allowing optimal use of the world resources in accordance with the objective of sustainable development. Environmentalists wanted to make sure that the standards on environment was included in the WTO charter of working committees. Initially, no serious commitments appeared in the text of the WTO, that showed any connection between its work and the goal of environmentally
sustainable development. However, a positive commitment on environment was the decision in April 1994 to form the Committee on Trade and Environment (CTE) within WTO. This is an encouraging beginning and a sign on the significant change in the GATT's rules and approaches as an important opportunity to redirect the trade and environment analysis within WTO.

**WTO : Trade and Environment**

Integration and economic policy reforms have caused an entwining of policies relating to trade, foreign investment, and the environment. That entwining has the potential to bring about good outcomes for the economy and the natural environment, but unless it is carefully managed there is a considerable risk that both the economy and the environment will suffer. In this respect, Prof. Anderson suggests and argues for using trade policy to correct environmental externalities, explaining that, there is nothing in the GATT which prevents a country from adopting the most efficient measures to offset environmental externalities, which typically are associated with production, consumption, or disposal activities. Since trade itself is almost never claimed to be traditionally have seen little reason to consider trade measures as part of the solution to environmental problems. Cropper Maureen, and economist, commenting on Prof. Anderson opines that there are moreover, many instances in such welfare-reducing trade policies have been instituted in the name of the environment. Environmental problems are not caused by international trade; they are caused by market
failures and the absence of property right. We should not look to trade policy to correct them.

Liberalised policies for trade and investment, which often bring environmental improvement through greater economic efficiency but can sometimes lead to environmentally harmful changes in the structure of economic activity. In the later case, it is usually more appropriate to introduce better policies for environmental protection than to sacrifice economic gains by restricting trade. Using trade restrictions to address environmental problems is inefficient and usually ineffective. Liberalised trade fosters greater efficiency and higher productivity and may actually reduce pollution by encouraging the growth of less polluting industries and the adoption and diffusion of cleaner technologies. In this light, let us consider the management of trade – environmental relationship under WTO and Agreement on sanitary and Phytosanitary measures.

The Uruguay Round striking a new balance between commerce and the environment contains two agreements governing national laws on the environment. These are: the Agreement on Technical Barriers to Trade (TBT), and Agreement on Sanitary and Phytosanitary Measures (SPS). The TBT agreement deals with government regulations on products (e.g. auto-emission standards. The SPS deals with government regulations and import bans regarding food safety and disease spreading products. To avoid confusion, matters covered by the SPS are excluded from the TBT.
The TBT and SPS both are much stricter than the existing rules in the GATT, including the GATT Standards Code of 1979. Both are somewhat tighter than the analogous agreements in the NAFITA. Although the WTO agreements were slightly watered down in the closing weeks of the Uruguay Round, they are still quite strong.

Sanitary and Phytosanitary measures are defined as any measures applied:

- To protect, animal or plant life or health with the territory of the Member from risks arising from the entry, establishment or spread of pests, diseases, diseases carrying organisms or disease-causing organism;
- To protect, animal or plant life or health with the territory of the Member from risks arising from additives, contaminants, toxins or disease-causing organism in food, beverages or feedstuffs;
- To protect, animal or plant life or health within the territory of the Member from risk arising from diseases carried by animals, plants or products thereof, of from the entry, establishment or pread of pests; or
- To prevent or limit other damage within the territory of the Member from the entry, establishment or spread of pests.

The system of Harmonisation, Equivalency, Explanation of the reasons and Product Process methods, are its unique innovations. These concepts heighten the role of non-traditional
type of state and international trade diplomacy in a new era. Members are more or less obliged or mandated to harmonise their domestic international standards. If the Members do not harmonise their domestic rules or regulations particularly relating to food safety, protection of human, animal and plant health, such rules unless harmonised in pursuance to international standards, are considered inconsistent with GATT 1994.

Though, prior to invoke SPS measures, the invoking Member should take into consideration of the following qualification or ingredients:

(i) SPS measures can be applied only to the extent necessary to protect human, animal and plant health or life. In Prof. barcelo's opinion, it places emphasis on the obligation not to apply a measures so as to cause more trade restriction than necessary for the appropriate level of protection desired;

(ii) SPS measures must not be used arbitrarily or unjustifiably discriminatorily;

(iii) It must not constitute a disguised restriction in international trade;

(iv) Such measures must be based on scientific evidence and principles;

(v) It must take into account the objective of minimizing negative trade effects; and

(vi) These measures must not be more trade restrictive than required.
While the SPS agreement calls for internationally set standards to serve as a benchmark for the harmonization of standards among WTO members, the members agreed explicitly that this goal was not intended to prohibit a country from setting standards higher than an international norm. Tougher standards may be set as long as there is scientific justification for them and a risk assessment has been carried out.

The question of food safety, fortunately, despite the pressure to conclude the Uruguay Round, the GATT members made last minute efforts to improve the provisions on food safety. As a result, the SPS language now includes clarifications designed to food safety laws. Members may even take a precautionary food safety measures in the absence of full scientific information, as appropriate scientific studies are carried out within a realistic time frame. Yet, the food safety measure cannot be applied without being complied to the extent necessary to protect human, animal or plant life or health. So, from this same dimension some severely criticize the food safety mechanism, stating that it serves only the interests of MNCs and jeopardizes the capacity of developing countries.

The Conclusion that have been drawn on the basis of questionnaire is that from environmental perspective SPS is one of the strongest agreement under the auspices of WTO. It has the real teeth. It takes precedence over other rights and duties matrix of WTO.