CHAPTER-6

IMPACT OF WTO ON INDIAN ECONOMY

The previous chapter discussed the World Trade Organisation, traced the events bringing the organisation into existence, the four Ministerial Conferences held under its auspices and the different declarations made with regard to trade and tariffs to be followed by the member countries. These provisions have great bearing on the international trade and affect the different countries in different ways. The impact of WTO’s various provisions on Indian Economy is discussed in the present chapter. The implications are analysed in their various aspects in the following discussion.

World Trade Organisation and India

India is the founding member of the WTO. India was in favour of multilateral trade approach. It enjoys MFN status and allows the same status to all other trading partners. India has joined the WTO in order to integrate the domestic economy with the world economy. Our country had been depending on export and import for coping with the domestic needs of technology, machinery and consumer goods. In the absence of WTO membership, we had to negotiate separately with each and every country and be at a disadvantageous position. Country to country negotiations every year were not only time consuming but also there used to be arm twisting negotiations with developed countries. Thus India joined the WTO membership. India benefited from WTO provisions
in which some are as like - firstly, by reducing tariff rates on raw materials components and, capital goods, it was able to import more for meeting her developmental requirements. Secondly, as India is a founder member of WTO with wide membership of the organisation, India get market access in several countries without any bilateral trade agreements. Thirdly, advanced technology would be obtained at low cost. Fourthly, because of wide arrangement for resolving trade disputes under WTO, India would be in a better position to get quick redressal of the trade disputes, if any. Fifthly, the scope of creating more job would be expanded. Sixthly, the Indian exporters have deficient market information, this can be removed by the help of WTO and country can get wider market information, and Finally, due to increasing competition and exposure the competitive edge and productivity of Indian industry will improve.

In order to achieve the gains from WTO the government of India has announced the Export-Import policy 1992-1997 to liberalize trade and boost domestic manufacturing sector. The ministry of commerce of the Government of India expects that by WTO India would benefit by creating 10 million additional jobs annually and India’s market share in world exports would improve.

A Federation of Indian Chamber of Commerce and Industry (FICCI) Task Force reports(March 1996) on WTO, rightly observed that in changing scenario there is no alternative to Indian industry but to gear
up itself to raise the efficiency and competitiveness, so that India is able to meet the competition in both, the domestic and external markets. By this, under certain areas like agricultural and allied exports, textiles and trade in services India can meet not only the challenges and will be able to exploit opportunities successfully when developed countries will co-operate to share the fruits of growth and openness in the new world trade order.

**Indian Perspective of WTO Provisions**

India perceives that the trade under WTO regime would benefit it in several ways. The following are noteworthy.

1. It is expected that India's share in the world exports improves from 0.5 per cent to 1 per cent. The phasing out of MFA by 2005 will benefit to India as the exports of textiles and clothing will increase. Tariff reductions and reduced non-tariff barriers shall facilitate greater access of foreign markets.

2. Benefits from increase in the world prices of agricultural products due to reduction in subsidies and barriers to trade are also likely to occur to India and consequently the earnings of agricultural exports will increase. From the India's point of view the major state of Central Government programmes for development of agriculture will be exempted from the WTO disciplines in the agricultural agreement.
3. The WTO agreement has strengthened multilateral rules and disciplines particularly related to anti-dumping, subsidies, countervailing measures, safeguards and disputes settlement. This will ensure greater security and predictability of international trading system which create more favourable environment for India in the new world economic order.

India’s Commitments to WTO

With the above favourable perceptions for its economy, India consulted itself to observe the Union Governments relating to trade and tariffs adopted by the WTO in its various Ministerial Conferences. The highlights of commitments made by Indian government are set out as under:

1. **Tariff Lines**

   About 67 per cent of its tariff lines were bound. For non-agriculture goods, with a few exceptions ceiling bindings of 40 per cent and 25 per cent on intermediate goods have been undertaken. The phase of reduction is extended to the year 2005.

2. **Quantitative Restrictions (QRs)**

   QRs on imports maintained on balance of payments grounds were notified to WTO in 1997 for 2714 tariff lines at the eight digit level. In view of the improvements in India’s balance of payments, the committee on balance of payments restrictions has asked India for a phase out for
the QRs. Based on presentation, India reached an agreement with these countries, except USA, to phase out the QRs over a period of 6 years beginning 1997.

3. TRIPs

The ruling of the two WTO Dispute Settlement Panels following the complaints made by the USA and the European Union that India had failed to meet the commitments under Article 70.8 and 70.9 made it obligatory for the Government of India to make appropriate amendments to the patents Act 1970 by April 19, 1999. The patents Act 1999 was passed by the Parliament in March 1999 to provide Exclusive Marketing Rights. In respect of plant varieties, a decision has been taken to put in place a sui-generis system as it is perceived to be in our national interest.

As far as copyrights and related rights are concerned, the Copyright Act 1957 as amended in 1994 takes care of our interest and meets the requirements of the TRIPs Agreement except in the case of terms of protection of performers rights. A bill to increase this term to 50 years was passed by Parliament in December, 1999. As far as lay-out designs are concerned, a legislation giving protection to them was introduced in the Rajya Sabha on December 20, 1999 by the Department of Electronics. In the field of trade marks, the Trade and Merchandise Marks Act (TMMA), 1958 is in its essential features, in the accordance with international law. A bill passed in Parliament in December, 1999
provides for protection to service marks. On the question of geographical indications, there is specific law in India for this purpose. Case law, however, enables legal action for protection of geographical indications. The Government of India decided to enact a new law on the subject to take advantage of the provisions of the TRIPs Agreement. A bill in this regard was passed by the Parliament in December 1999.

4. **TRIMs:**

   The Government of India notified two TRIMs, viz., that relating to local content requirements in the production of certain pharmaceutical products and dividend balancing requirements in the case of investment in 22 categories of consumer items.

5. **GATS**

   India has commitments in 33 activities. The choice of the activities has been guided by considerations of national benefits.

6. **Customs Valuation Rules**

   India's legislation on Customs Valuation Rules 1998, has been amended to bring it in conformity with the provision of the WTO Agreement.²
WTO and its Impact

It is observed that some important sectors of India hit by WTO agreement. The specific impact on some sectors are discuss below:

Impact of WTO on Indian Agriculture

The Agreement of Agriculture (AoA) can generally be classified into four groups viz., (a) Imposition of import duties, (b) Withdrawal of Quantitative Restrictions (QRs), (c) Economic help admissible under WTO and (d) Export subsidies.

(a) **Imposition of Import Duties**

The earlier GATT had a provision of trading in agricultural produce also, but it did no facilitated in providing free trade regime around the world. It was allowed to levy import duties and import quotas for restricting import and export subsidies as incentives to boost traditional exports and protect the domestic activities. Fishery, forestry, rubber, jute, sisal, coir and abaca were not covered under the traditional agricultural exports.

The provisions under AoA for UDCs are focused to reduce tariff commitments by an average of 24 per cent in equal steps over 10 years (upto 2004) from 1995 and for developed countries (DCs) it is 36 per cent over the period of 6 years (upto 2000) (See Table 6.1).
Table-6.1
Commitments by Member Countries Under AoA

<table>
<thead>
<tr>
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<tbody>
<tr>
<td><strong>Tariffs</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a) Avg. cut for all agricultural products</td>
<td>-36%</td>
<td>-24%</td>
</tr>
<tr>
<td>b) Minimum cut per product</td>
<td>-15%</td>
<td>-10%</td>
</tr>
<tr>
<td><strong>Domestic support</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total AMS cuts for sector</td>
<td>-20%</td>
<td>-13.3%</td>
</tr>
<tr>
<td>(Base period 1986-88)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market access</td>
<td>3-5%</td>
<td>3-5%</td>
</tr>
<tr>
<td><strong>Export subsidies</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a) Value of subsidies</td>
<td>-36%</td>
<td>-24%</td>
</tr>
<tr>
<td>b) Subsidised quantities (Base period 1986-90)</td>
<td>-21%</td>
<td>-14%</td>
</tr>
</tbody>
</table>

**Source:** By the courtesy of Mr. V.B. Jugale, Professor and Head Department of Economics, Dean, Social Sciences Faculty, Shivaji University, Kolhapur

The minimum per product cut in tariffs as specified in table 6.1 is 15 per cent for DCs and 10 per cent for UDCs. The least developed countries do not have cut their tariffs under it. The Government can take special emergency action (safeguards) to prevent swiftly falling prices by hurting their farmers in case of non-tariff restrictions converted to tariffs. Specifications in such cases regarding when and how are required to be given by the governments. It is however, stipulated as minimum
market access equal to 3 per cent of domestic consumption rising to 5 per cent by the end of the implementation period. Special treatment is given to Japan (for rice), Republic of Korea (for rice), Philippines (for juice) and Israel (for sheep meat).

As per the AoA, if India finds quite viable in foreign exchange reserves can hike the import duties up to the limit of 100 per cent on agricultural raw material, 150 per cent on agricultural processing items, and 300 per cent on edible oil products. But, Government of India has revised the import duties thrice since then once in January 2000 another in July 2000 and third in February 2001.

As a result of this the Indian agricultural goods are comparatively sold at higher prices due to high cost of cultivation. This has totally discouraged the Indian farmers. The domestic grain market is not remunerative to the Indian farmers, even when the agricultural growth rate has slide down to 4.6 per cent in 2000-2001. The average tariff barriers on 600 agricultural items have been reduced since last five years. Besides, the custom duties on Indian goods entering the foreign market (USA, EU) continue to be high e.g. 180 per cent for wheat, while it is less than 80 per cent in India. It is disincentive to the investors in the areas. To bring at the level of equivalence, India should step up to enhance export. But India is getting the benefit of competitiveness only in 46 items out of 406 exportable items. The potentiality is lying unharnessed. So, there is a need to act promptly in
imposing the tariffs and to accentuate on the exports of fresh and frozen brovine meat, fish, fresh grapes, vegetables and castor oil etc.

(b) **Withdrawal of QRs**

By the end of March 2001, India was expected to withdraw the QRs put on 1429 commodities, and a complete ban on QRs prior to 31st December 2001. As a part of its first phase policy, India was expected to withdraw the QRs on 715 commodities by the end of March 2000. Another phase of withdrawal of QRs on 714 commodities was expected by the end of March 2001. but in all the QRs have been withdrawn for 772 commodities in which 208 agricultural commodities are involved.

As a result of withdrawal of QRs, import is estimated to go up by 8.7 per cent, whose money value is estimated at $ 3029 billions. India is maintaining QRs due to its adverse BOP. due to improvements in the BOP, the QRs are not applicable to India from April 2001, instead of which India can only impose bound tariffs.

(c) **Economic Help**

The domestic support has now become a threat. The support is intended to bring a competitiveness and to cherish the weak in the domestic market. Besides it has been triggered use to heavily subsidizing policies of the DCs to their agriculture for obtaining the gains of price advantages.
As per the agreement, there are Product Specific (PS) and Non-Product Specific (NPS) subsidies. NPS subsidies are given to fertilisers, irrigation, pesticides, credit and other input subsidies. PS subsidies cover the support to 22 products, of which 19 (rice, wheat, jowar, maize, barley, gram, groundnut, rapeseed, toria, cotton, soya, urad, moong, fur, tobacco, jute and sugarcane) are included in the list of commitments.

The extent of subsidies is calculated through Average Measure of Support (AMS) at 13.3 per cent of the proceed value including all supports to agriculture, which should be attained over 10 years. But no specifications observed if the support is less than 13.3 per cent. Special differential treatments are given to UDCs e.g. food security stock at administered prices, targeted subsidised food distribution to meet the needs of urban and rural poors.

The economic help is further classified as **Amber box subsidies** covering statutory minimum price, grant to agricultural universities, water, services etc. under NSP and PS subsidies to 22 commodities in India. **Green box subsidies** cover help, consultancy and basic services etc. An under **blue box subsidies** covers direct subsidies, investment subsidies and subsidies on capital etc which are more beneficial to DCs.

(d) **Export Subsidies**

Agricultural commodities receive no export subsidies in India other than specified in a member’s lists of commitments. Some indirect
incentives are provided to agricultural items for exports. DCs have agreed to cut the value of export subsidies by 36 per cent over a period of 6 years from 1995 and the UDCs have to cut the same by 24 per cent over a period of 10 years. The DCs have to reduce 21 per cent in quantities of subsidised exports and UDCs have to reduce 14 per cent of the same during same period. The DCs are allowed to reduce the cost of marketing and transporting exports under certain conditions.

On the contrary, other countries give substantial amount of subsidies for export of agricultural commodities. The EU (UK, France, Germany etc.) countries give an average 265 per cent of export subsidy, Brazil 60 per cent. Thailand 40 per cent, Pakistan 30 per cent. This has created a panic situation in the agricultural economy of India. Besides, imposition of import duties is neglected, QRs have been withdrawn, no direct export subsidy is given to the exporters of agricultural commodities. On this background India has to oppose such hike in export subsidies in the forthcoming Agricultural Round. Simultaneously, some amount of export subsidies have to be designated to some important agricultural commodities.

**Plant Varieties Rights (PVRs)**

The PVRs come under the provisions of TRIPs. Accordingly all forms of plants microbiological processes and micro-organisms are required to cope product patents except the researchers, farmers and the Government. The obligations under the PVRs provisions have
complied from the provisions of the Paris Conventions (1967). The benefits of the patenting is made available for a period 20 years for all inventions (product or process patenting) in almost all fields of technology. No patenting on natural goods, animals and varieties of species are allowed. The seeds covered under Seeds Act (1966) do not required patenting.

Patenting is required to prove novelty, distinctiveness, uniformity and stability by developing a Sui-generis system. For which UPOV (Union for the protection of new varieties of plants) convention is expected to be followed.

PVR is a milder form of IPRs in which minimum support given to breeders of new plant varieties under UPOV 1989 are made applicable.

As a result of this, provision in WTO number of companies rushed to register for patenting to their product varieties. So far, more than 400 varieties have been covered under PVRs, in which the LDCs share is only one per cent. India has not yet passed the PVRs bill, it is referred to Joint Parliamentary Committee. The Bill allows farmers' traditional right to save, exchange, share or sell his farm produce of a variety protected under the Act, except where the sale is for the purpose of reproduction under the commercial marketing arrangement.

There are so many complications involved in implementation of PVRs. Most of the developed countries are interested in acquiring patents
on Indian varieties. As a result, India has either to fight for retaining the patents with it or it has to file the applications for patenting. India is rich in bio-diversity, but it is in the hands of poor people. India is a knowledge domain country. Before 1990s India was filing only 3500 applications for registering the patents, which has now gone up to more than 10,000 every year. In 1991, India’s share in registrations for patenting was 31.52 per cent (5,03,055) in the world’s total patenting (15,95,950). By the end of 1995, India has filed 18,07,215 applications for patenting, which is 65.13 per cent of the world’s total (27,74,582).

On the contrary Japan has applied for 4.4 million patents whose BoP value goes to 4.1 Trillion Yen or GDP valued to 3781 billion Yens. The share of herbal patent is highest (52 per cent) in Russia and that of China is 45 per cent and the share of Japan in herbal patents is 22 per cent. India is successful in retaining the patents of neem and turmeric; basmati is yet not commissioned. The patenting on Pepper, Amala, Bare, Karela, Jackfruit, Ritha, Aswagandh, have been already patented by the foreign companies.

Patenting of Indian commodities is difficult to Indians because of the following reasons.

1. The fee per patenting is Rs. 75,000/-.

2. Difficult to retain the monopoly power for patented goods.

3. Salesmanship is very difficult.
4. Competitiveness is lacking.

5. No training to the farmers in patenting.

6. Sale of patents will be much favoured by the patent holders.


As a result of this following effects can be observed.

i) MNCS will dominate, they will earn and go back.

ii) Seeds, plants, tissue culture patent will cause to decelerate trade volume.

iii) Popular varieties will be developed, monocrop culture will develop.

iv) Cost of cultivation will go up.

v) Nutritional value will come down.

vi) Lapse of some traditional varieties is possible. India has developed around 50,000 varieties.

vii) Control on the use of varieties may not be possible.

viii) Red tapeism will grow up in patenting procedures.

ix) Difficult to gain from National Bio-diversity Authority (Chennai) for Indians, to foreigners it is easy.

x) A culture of, “produce yourself for yourself or perish” will develop “Use and throw” culture will develop which will obviously harm the environment and ecology of India.
Signing on Agreement of Agriculture and allied agreements was greeted by great euphoria by a number of developing countries as it was expected that these agreements would open up the markets for their products in developed countries. As far as India is concerned, support given to agriculture was negative while developed countries of OECD were found having subsidising their agriculture. The role of the WTO in our agricultural economy has been dominated by fears and apprehensions that the WTO with dramatically change the agricultural sense here since the developed nations with high productivity standards in agriculture have a competitive edge over our low productivity profile in agriculture. On the other hand, the developed nations also have a fear that the instrument of subsidy on the part of developing countries and their Governments will jeopardise this competitive edge.

The negative side of the impact of WTO on Indian economy seems to be more convincing. It failed to improve the standards of living of our people. There is a vast gap between the developed and developing economies due to the early beginning of industrialisation, access to international source of capital, innovative technology, and management techniques enjoyed by the former. The gap is so wide that the latter countries are not able to compete on their own footing unless and until they are provided certain concessions. The consensus said that India’s participation in global trade is almost negligible (just 0.67 per cent). Although agriculture provides almost 25 per cent of India’s GDP,
agricultural exports are insignificant. India had expected that with the dismantling of domestic support in developed countries and widespread reduction in export subsidies by these countries, market access for Indian agricultural products in developed countries would expand. However, as is clear from the detailed discussion the developed countries have played their cards very cleverly and have taken effective steps to block agricultural exports from developing countries including India behind various loopholes in Agreement on Agriculture and allied agreements.

The WTO agreement on agriculture provides reduction of domestic subsidies, reduction in export subsidies, tariff reduction and bindings to provide market access to member countries. As committed by developed nations that if they reduce subsidies and tariffs then better overseas markets will be available for Indian agricultural products. The products which will be benefited are rice, wheat and wheat preparations, cotton, soyabean, oil seeds, tobacco, fruits, vegetables, juice and juice concentrates and milk and milk products. The Indian farmers through exchange of technology, scientific methods of developed farming with other countries can improve and diversify agriculture and government will increase subsidies to agriculture for these purpose. Thus Indian agriculture may become competitive. For this, our farmers should work efficiently and emphasise on quality so as to penetrate international market.
To have an idea of the competitiveness of India’s exports, it is necessary to make a review of positive export performance of the major agricultural products since 1995 when the WTO came into being. Table- 6.2 shows a positive export growth in agricultural products from 1995-96 to 1999-2000.

Table-6.2
Export Performance of Agricultural Products:
Agricultural Products Showing Positive Export Growth During 1995-96 to 1999-2000*

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Marine products</td>
<td>1012.31</td>
<td>1129.86</td>
<td>12081.72</td>
<td>1038.15</td>
<td>1181.55</td>
</tr>
<tr>
<td>Cashew</td>
<td>367.97</td>
<td>362.41</td>
<td>377.13</td>
<td>386.76</td>
<td>566.42</td>
</tr>
<tr>
<td>Tea</td>
<td>350.63</td>
<td>292.38</td>
<td>505.47</td>
<td>538.29</td>
<td>407.99</td>
</tr>
<tr>
<td>Basmati rice</td>
<td>254.69</td>
<td>351.74</td>
<td>454.10</td>
<td>446.03</td>
<td>401.10</td>
</tr>
<tr>
<td>Spices</td>
<td>237.58</td>
<td>338.92</td>
<td>379.76</td>
<td>387.96</td>
<td>393.23</td>
</tr>
<tr>
<td>Castor oil</td>
<td>222.31</td>
<td>176.84</td>
<td>155.21</td>
<td>159.72</td>
<td>245.37</td>
</tr>
<tr>
<td>Guargum meal</td>
<td>68.02</td>
<td>100.40</td>
<td>146.82</td>
<td>172.93</td>
<td>189.15</td>
</tr>
<tr>
<td>Tobacco unmanufactured</td>
<td>113.38</td>
<td>186.21</td>
<td>247.17</td>
<td>136.00</td>
<td>184.87</td>
</tr>
<tr>
<td>Processed fruits and juices</td>
<td>61.25</td>
<td>59.05</td>
<td>73.51</td>
<td>69.12</td>
<td>113.29</td>
</tr>
<tr>
<td>Pulses</td>
<td>39.47</td>
<td>37.10</td>
<td>97.22</td>
<td>53.00</td>
<td>93.56</td>
</tr>
<tr>
<td>Seasame and niger seeds</td>
<td>77.02</td>
<td>77.61</td>
<td>81.51</td>
<td>79.07</td>
<td>85.88</td>
</tr>
<tr>
<td>Tobacco manufactured</td>
<td>20.40</td>
<td>27.15</td>
<td>41.15</td>
<td>45.03</td>
<td>44.55</td>
</tr>
<tr>
<td>Poultry and Dairy products</td>
<td>17.59</td>
<td>34.90</td>
<td>31.80</td>
<td>23.04</td>
<td>22.76</td>
</tr>
<tr>
<td>Floriculture products</td>
<td>18.01</td>
<td>17.87</td>
<td>23.37</td>
<td>25.18</td>
<td>20.94</td>
</tr>
<tr>
<td>Shellac</td>
<td>18.78</td>
<td>14.75</td>
<td>15.65</td>
<td>15.52</td>
<td>18.85</td>
</tr>
<tr>
<td>Fruits/vegetable seeds</td>
<td>12.32</td>
<td>11.86</td>
<td>14.41</td>
<td>15.35</td>
<td>15.55</td>
</tr>
<tr>
<td>Cashewnut shell liquid</td>
<td>0.43</td>
<td>0.78</td>
<td>1.93</td>
<td>0.98</td>
<td>0.50</td>
</tr>
</tbody>
</table>

Share of these commodities in total agricultural exports (%) 47.29 46.88 58.11 59.52 72.40

*Commodities are sorted by their value of exports in 1999-2000, Exports in US$ million.

Source: DGCIS
It is observed that marine products, cashew, spices, tea, castor oil and basmati rice are the major export items. However, in case of basmati rice and tea, the relative price advantage is declining over the years. It can be seen from the table-6.2 that more than 70 per cent of India’s agricultural export has shown positive growth during 1999-2000. In 1995-96 the share of above all commodities in total agricultural export was 47.29 per cent, in 1996-97 this percentage was decreased and remained 46.88 per cent. But again in 1997-98 this percentage was increased at 58.11 then it was 59.52 in 1998-99 and 72.40 in 1999-2000.

In India, agriculture is recognised by food crops and labour absorption. The Indian farmers have an increasing tendency to change their food crops and opt cash crops (crops which give more benefit). Consequently, India might increasing dependence upon imports for their food grains and free import of food grains would increase the price fluctuation in the economy and adversely affect the agricultural production and food security. If the exporting countries give their supply in India at a cheaper prices in comparison to Indian producers then Indian farmers may face a threat, because Indian people will be tempted to buy from foreign countries at lower prices which would be fatal for the Indian agricultural sector. Industrialized countries have been giving huge domestic subsidies to their agricultural sector for excessive production, import restrictions and dumping of agri-products in
international markets. So the items like vegetable oils, rice, rubber, coconuts and fruits can be imported cheaply from other countries. This will effect the India’s domestic market as well as competitiveness in export of agricultural products. Table-6.3 shows a negative export performance in agricultural products of India from 1995-96 to 1999-2000.

Table-6.3
Agricultural Products Showing Negative Export Growth
During 1995-96 to 1999-2000*

(US$ million)

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</thead>
<tbody>
<tr>
<td>Oil meals</td>
<td>703.18</td>
<td>985.44</td>
<td>925.44</td>
<td>461.43</td>
<td>370.43</td>
</tr>
<tr>
<td>Non-basmati rice</td>
<td>1113.00</td>
<td>542.63</td>
<td>454.03</td>
<td>1046.54</td>
<td>316.41</td>
</tr>
<tr>
<td>Coffee</td>
<td>449.98</td>
<td>402.20</td>
<td>456.93</td>
<td>410.63</td>
<td>315.17</td>
</tr>
<tr>
<td>Meat &amp; perparations</td>
<td>187.73</td>
<td>199.86</td>
<td>217.77</td>
<td>187.29</td>
<td>180.44</td>
</tr>
<tr>
<td>Fresh vegetables</td>
<td>89.04</td>
<td>94.27</td>
<td>84.31</td>
<td>65.12</td>
<td>81.63</td>
</tr>
<tr>
<td>Fresh fruits</td>
<td>68.92</td>
<td>68.90</td>
<td>74.58</td>
<td>36.29</td>
<td>66.59</td>
</tr>
<tr>
<td>Misc. processed items</td>
<td>161.81</td>
<td>215.41</td>
<td>68.85</td>
<td>60.62</td>
<td>62.39</td>
</tr>
<tr>
<td>Groundnuts</td>
<td>68.62</td>
<td>91.86</td>
<td>152.56</td>
<td>33.19</td>
<td>42.34</td>
</tr>
<tr>
<td>Processed vegetables</td>
<td>42.74</td>
<td>32.93</td>
<td>31.39</td>
<td>39.75</td>
<td>38.17</td>
</tr>
<tr>
<td>Cotton raw including waste</td>
<td>60.94</td>
<td>443.90</td>
<td>221.41</td>
<td>49.17</td>
<td>18.64</td>
</tr>
<tr>
<td>Spirit &amp; beverages</td>
<td>13.37</td>
<td>56.75</td>
<td>19.83</td>
<td>16.80</td>
<td>16.21</td>
</tr>
<tr>
<td>Sugar and Mollases</td>
<td>151.62</td>
<td>303.89</td>
<td>68.68</td>
<td>5.81</td>
<td>8.74</td>
</tr>
<tr>
<td>Other cereals</td>
<td>5.08</td>
<td>13.71</td>
<td>3.39</td>
<td>2.06</td>
<td>1.88</td>
</tr>
<tr>
<td>Wheat</td>
<td>109.81</td>
<td>196.91</td>
<td>0.11</td>
<td>0.32</td>
<td>0.00</td>
</tr>
</tbody>
</table>

Share of these commodities in total agricultural exports (%) 52.71 53.12 41.89 40.48 27.60

Source: DGCIS
It can be seen from the table-6.3 that the non-basmati rice, oil meals, coffee and some processed items are the major exporting items. It shows the 27 per cent negative trend in agricultural performance. In 1995-96 share of above commodities in total agricultural export was 52.71 per cent. It increased upto 53.12 in 1996-97. Then again decreases in 1997-98 upto 41.89 per cent that was good for the economy. In 1998-99 this per centage was 40.48 and was 27.60 in 1999-2000.

The developed nations want to develop new seeds from genetic resources (breeding). India will be benefited when India convince at WTO that a royalty should be given by developed nations to India for development and patent of developed seed, when they (developed nations) use costly genetic technology by which they want to produced costly seeds and earn profit because these seeds are India’s natural resources. The developed nations do not have their own original developed seeds. Thus India demand to share the gain of developed seeds. Then Indian farmers will gain and India may become the larger exporter of seeds. These will improve the country’s rural employment and safeguard the food security. On the negative side, to avail this advantage India has to either adopt the patent law or effective “Sui-generis”.

Subsidy reduction requirement under WTO is not applicable to countries like India. According to WTO rules, countries having less than
$1000 per capita income annually do not fall under the subsidy reduction requirement. India does not come under the purview of reduction in agriculture subsidy because at present the total subsidy in India is around 5 to 6 per cent. On the other hand the new agreement limits subsidy to farmers up to 10 per cent. In India the subsidy to farmers is only 5 to 6 per cent. Secondly, the amendment in the patent act exempts the seed and farm products. The new agreement allows that India exempted from patents of farm products for 10 years.

Developing countries including India, would find it difficult to gain market access, particularly in the developed country markets, because of the health and safety (sanitary and phyto-sanitary) standards that would be imposed very strictly as per the agreement. Most developing countries do not follow any health and safety regulations and the lack of any standards may result in barrier to gaining market access. Last year a large consignment of grapes from Maharashtra was returned by a European country with the argument that the pesticide residues in the fruits were too high. The actual reason was the glut of table grapes in European countries. Some years ago, Indian tea faced a ban in Germany also because of high levels of chemicals. The real reason was because of foreign policy considerations, Germany had to buy tea from other countries in Africa and Asia.

The implication of agreement expected to affect in long run on balance of food, agricultural self-sufficiency, agricultural products prices,
consumption pattern, etc. Requirement of providing protection to plant variety either through patent or sui-generis system give rise to additional input costs by limiting domestic support level, this may adversely affect the plan of increased in agricultural production and creation of export surplus.

India has submitted its proposals to the WTO for current negotiations on AoA in area of market access, domestic support, export competition and food security. She has submitted its proposal on market access with other 11 developing countries in which a demand was made for tariff reduction, all distorting domestic support must be reduced and export subsidies must be eliminated by developed countries. The Government of India had discussions with all State Governments, academicians, farmer organisation, agricultural universities etc. It had collaborations with Ministry of Agriculture and NGOs (Non-Government Organisations) at Ahmadabad, Cochin, Kolkata and New Delhi.

Department of Commerce, Government of India is in process for finalising its proposals on issue of Market Access. Domestic Support and Food Security to be put before WTO, by this our nation will seek to increased market access opportunities, flexibility in domestic support for safeguarding the food and livelihood of our people.

**Impact of WTO Agreement on Minor Forest Produce**

The tribals constitute the most disadvantaged section of the society
based on per capita income, literacy rates, nutritional and health status and lack of access to social and technical services. Approximately 90 per cent of the communities that live in and around India's forest areas of 63.3 million hectares, occupying 19.3 per cent of the landmass of the country, are mostly tribal people. A substantial portion of around 37.27 per cent Indians live below the poverty line in the rural segment and out of this the tribal people constitute 51.94 per cent. The livelihood of these tribal people is dependent upon the Minor Forest Produce (MFP) including medicinal plants. As per the document of the World Bank "Alleviating Poverty through Participatory Forestry Development" co-authored amongst others by Shri Naresh Chandra Saxena, several thousand tonnes of MFP are removed annually from the Indian forests providing earnings that run into billion of rupees each year. It is estimated that income from MFP to the state exchequer is about Rs. 6.5 billion, which is a significant contribution from this sector to the GDP and the national economy. As per this document about 60 per cent of the minor forest produce go unrecorded which is consumed or bartered by about 15 million people living in and around forests.

In addition, the minor forest produce does not have organised markets where the tribal collectors, the sellers could transact business on fair or equal terms with buyers in the trade and they are therefore exploited by the middlemen and the traders. The bargaining position of the tribal collector/grower of MFP is poor due to the remoteness of the
area in which he lives, his ignorance, poverty coupled with lack of effective organisation among the tribals. In the absence of any organised market for transacting the business on the one hand and the quantitative restrictions on imports having been lifted, the exploitation of the tribals at the hands of the market forces would increase in view of being competitive against the stocks of foreign origin mainly cheaper synthetic substitutes.

**Impact of WTO on Indian Textiles and Clothing**

Textiles and clothing industry occupies a unique position in the Indian economy. It is the largest exporting industry, contributing about 38 per cent of India’s total exports and employing over 50 million people. It is also regarded as the largest contributor to gross industrial product, estimated at 20 per cent. Textiles sector compromise mills, powerlooms, and handlooms. India has the second largest consumer market consisting of more than 220 million middle income people. 1/4 of total land is under cotton cultivation in India. India has bilateral agreements with Canada, the EU, Norway and USA covering around 64 per cent of its total export of texprocil and clothing. The Ministry of Textiles announces quotas policies for a period of three years. The institution responsible for quota allocation are Texprocil and the Synthetics and Rayon Export Promotion Council for textiles and the Apparel Export Promotion Council for clothing. Quotas are allocated on the basis of the applicants’ export performance over the base period.
The MFA opens up many opportunities and challenges for developing countries like India. India is the lowest at 9 per cent of the total cost of the production while the waste generation in other countries ranges between 11 per cent and 23 per cent. The labour cost in India is also the lowest, i.e., 3 per cent of the total production whereas in other countries the labour cost ranges between 5 per cent and 38 per cent. The highest labour cost is in Italy and Japan at 38 per cent and 29 per cent respectively. India has enjoyed the comparative advantage in the production of textiles and garments because of the abundant availability of cotton and inexpensive labour.

However, in spite of these strengths, the share of India in global market is not very significant as shown in the following table-6.4.

**Table- 6.4**

**India’s Share in World Trade of Textiles and Clothing**

<table>
<thead>
<tr>
<th>Year</th>
<th>Textiles and Clothing</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>World Exports</td>
<td>India’s Exports</td>
<td>India’s share in world exports (%)</td>
<td></td>
</tr>
<tr>
<td>1990</td>
<td>2,12,560</td>
<td>4,710</td>
<td>2.216</td>
<td></td>
</tr>
<tr>
<td>1994</td>
<td>2,70,640</td>
<td>7,530</td>
<td>2.782</td>
<td></td>
</tr>
<tr>
<td>1995</td>
<td>3,07,680</td>
<td>8,460</td>
<td>2.750</td>
<td></td>
</tr>
<tr>
<td>1996</td>
<td>3,16,520</td>
<td>9,153</td>
<td>2.892</td>
<td></td>
</tr>
</tbody>
</table>

**Source:** WTO Annual Report, 1998.
Table-6.4 reveals that India's share in the world exports is increasing but the expansion has been marginal considering the fact that India has lowest cost because of plenty of cheap labour and adequate availability of cotton. Textiles and clothing exports rose from $ 4,710 million in 1990 according for 2.2 per cent of world exports to $ 9,153 million in 1996 closing a share of 2.8 per cent in global textiles and clothing exports.

The WTO agreement on textiles and clothing states that the Multi-Fibre Agreement (MFA) eventually be eliminated MFA at present groups the major countries like United States, Austria, Canada, the European Community, Finland and Norway who imposed/apply restrictions by way of quota. Exporting countries like India is a part to the MFA. The phasing out of MFA will boost textile from India. It will also increase investment in textiles and joint ventures, but the risk is that when India opens-up its market, the import of textiles and clothing will considerable increase from countries like China, the United States, Taiwan and Indonesia. This will force to many textile manufacturers to either modernise their mills and improve quality of textiles or phase out. Another threat is that the rich countries are trying to bring child labour, environmental issues in the picture to contradict the MFN treatment to WTO member countries because India strengthen its areas of comparative advantage in textiles and clothing.
Impact of WTO on Trade Related Intellectual Property Rights

The most controversial area of this agreement, from India’s point of view, is the patent. The implementation period for India begins from 1995 and ends by 2005, India must grant product patents over pharmaceutical and agricultural chemical products. The patent terms will run from the date of the application field to 20 years thereafter.

The provision for Intellectual Property Rights (TRIPS) is a crucial area of the Uruguay Round of Trade Negotiations. It has far reaching implication for developing countries including India. Under the new agreement, inventor’s rights widely cover patents, trademarks, copyright, industrial design, layout of integrated circuits, geographical indications and trade secrets. The phasing-out period is specified as 10 years for drugs and agro-chemicals and 5 years for the rest of the products. There are opportunities, for instance in next few years many products, like drugs, software package etc. will become very expensive for our country. The Indian software industry will be blocked unless the government modifies the present duty structure and encourages Indian companies to develop software packages. However, the Indian skilled personnel in software industry expected assignment from foreign countries by easing of restrictions on their movement in the US and other developed countries. After TRIPs, software piracy will come down and this will be an opportunity for Indian professionals to develop new original packages and sell them in the global markets.
The TRIPs will also create adverse effects on pharmaceutical industry in India, when new discoveries would become available at very heavy cost of royalties. According to the new agreement, when the product patents will be brought into force in the year 2005 in the developing India, drug prices will increase. The indigenous pharmaceutical industry following the process patent will be in an adverse position. The Union Commerce Minister Mr. Pranab Mukherjee felt that a pragmatic drug policy by the government can help. Efforts should be made to search the condition (reputation) in western market for generic products, whose patents have expired. The Indian drugs also give attention in finding of new chemical molecules useful in the treatment of tropical disease like malaria, cholera and typhoid. Indian pharmacists should also develop Ayurvedic drugs as an alternative form of medicine. Then India can hope to increase the exports of generic, tropic and ayurvedic drugs to many countries under WTO agreement. This will help in rational and pragmatic drug policy by the government.

Under TRIPs seed will be patented by which the input costs of Indian farmers will increase. Thus food grain price will go up and Indian consumers will be adversely affected.

The Council for TRIPS has held several meetings during the years 2000-2001. India has actively participated in these meetings. Discussions under agreement continued during the year. These include review of section on geographical indications, patents on life forms, violation complaints, review for implementation of the agreement etc.
India has amended its, Intellectual Property Right laws relating to copyright, trademark, industrial designs, layout designs of integrated circuits and geographical indications, to meet its obligations under the Agreement. Bills relating to “Amendment to the Patent Act, 1970” and “Protection of Plant Varieties and Farmers ‘Right’ are before the parliament.

**Impact of WTO on Indian Pharmaceutical Industry**

Delicensing and tariff reductions have a major impact on the drug and pharmaceutical industry. On the one hand the drug manufacturers are now free to manufacture and export any quantity of drugs, but on the other hand they are being hit by foreign competition. Production costs remain high. Therefore, the incentive is to import drugs rather than manufacture domestically. Small producers are importing raw materials and formulating the drug locally. The result will be that they are unable to compete with influx of cheaper imports. So the small manufacturers are struggling to survive without protection.

From the industry point of view, these are forced to increase productivity and lower cost of production. Liberalisation has exposed the industry to international competition. Consequently Indian industries unable to compete with major global players and specially small scale units slowed down production and diversified their business into non-pharmaceutical products. The drug manufacturers which do not like the Drug Price Control Order (DPCO), even in 1994 only 73 drugs
were under the DPCO. The big companies such as Ranbaxy have the resources to invest in joint ventures with foreign multinationals while the small sector having a limited resources will be delimited to the production of generic drugs. If these trends continues, there will be no indegenous innovation, creating a unchange, industry in the coming years.

**Impact of Patent Protection on the Pharmaceutical Industry**

The pharmaceutical industry is under great adverse influence in the work of patents provisions imposed by the WTO. The implication of the WTO regulations on various aspects of the Indian pharmaceutical and drug industry are analysed below:

I. **Impact on Price Rise**

The main impact would be on the prices of the medicines, which would be increased several times much more than earlier. Today we have a process oriented patent system under which a patent holder can not prevent to another person from making a drug by another process. If new GATT treaty is accepted, the price of drugs will go up by five to ten times. Because of high prices only 10 per cent of India’s population will get availability of modern drugs.

The other effect due to new patent systems will be that the producers who have patent rights on the drugs will restrain other producers from producing the same drug creating a demand and supply
gap. Thus the producers and multinationals who have monopoly, will charge high prices which will be difficult for poor people to afford. The increase in the prices of drugs which are marketed by the same MNCs are illustrating the price comparison of four countries as shown in the table-6.5.

### Table-6.5

**International Comparison of Prices of Medicines**

<table>
<thead>
<tr>
<th>Drug/Brand</th>
<th>Company</th>
<th>Dosage &amp; Pack</th>
<th>Prices in</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>India</td>
<td>USA</td>
<td>U.K.</td>
<td>Pakistan</td>
</tr>
<tr>
<td>Reindicting/Zincate</td>
<td>Galaxy</td>
<td>300mg 10's</td>
<td>29.03</td>
<td>744.65</td>
<td>481.31</td>
<td>260.40</td>
</tr>
<tr>
<td></td>
<td>Times Costlier</td>
<td></td>
<td></td>
<td>(25.6)</td>
<td>(16.5)</td>
<td>(9.5)</td>
</tr>
<tr>
<td>Diclofenac Sodium</td>
<td>Ciba</td>
<td>50mg 10's</td>
<td>5.67</td>
<td>239.47</td>
<td>95.84</td>
<td>55.80</td>
</tr>
<tr>
<td></td>
<td>Geigy</td>
<td></td>
<td></td>
<td>(42.2)</td>
<td>(15.2)</td>
<td>(9.8)</td>
</tr>
</tbody>
</table>

**Note:**
(a) All prices are converted into Indian Rupees
(b) Figures in brackets denote the order of difference in prices vis-a-vis India.

**Source:** National working group on patent laws.

Table-6.5 shows the high prices of medicines. For example the Reindicting/Zincate’s prices in India were Rs. 29.03 but the same was available in USA, U.K. and Pakistan at Rs. 744.65, 481.31, 260.40 respectively. In case of Diclofenac Sodium/Voveran India, USA, U.K. and Pakistan had prices of Rs. 5.67, 239.47, 95.84, 55.80 respectively. The USA was charging the highest prices in comparison to UK, Pakistan and India, besides India’s charges were lower than others.
The high prices in the countries (USA, UK and Pakistan) are due to product patent system which is prevailing in these countries as compared to the process patent prevailing in India at present. Hence the product patent will push-up / increase the drug prices in India at a considerable extent when India accept product patent system. On the other side Indian producers may not compete with MNCs. Thus the growth of the Indian industry will be harmed by recent WTO agreements. A recent study shows that the prices of many life saving drugs have gone up steeply. In our country before the WTO agreement drug prices were being decided by the need of our people, pattern of diseases or by the purchasing capacity of the people. With the emergence of WTO’s TRIPs now the prices will be determined by the profit motive of an industry leading to inflated drug prices. Table-6.6 shows the prices of some essential drugs from 1995 to 1998.
Table-6.6
Increase in the prices of Drugs

<table>
<thead>
<tr>
<th>Name of drug</th>
<th>For treatment</th>
<th>Packing</th>
<th>Price 1995</th>
<th>Price 1998</th>
<th>Per centage increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diazepam</td>
<td>Depression</td>
<td>10</td>
<td>3.13</td>
<td>9.50</td>
<td>204%</td>
</tr>
<tr>
<td>Ampicillin</td>
<td>Antibiotic</td>
<td>4</td>
<td>12.85</td>
<td>23.15</td>
<td>80%</td>
</tr>
<tr>
<td>Cephalexin</td>
<td>Antibiotic</td>
<td>10</td>
<td>45.07</td>
<td>113.15</td>
<td>151%</td>
</tr>
<tr>
<td>Ethambutol</td>
<td>Anti T.B.drugs</td>
<td>10</td>
<td>5.92</td>
<td>33.00</td>
<td>457%</td>
</tr>
<tr>
<td>Rifampicin</td>
<td>&lt;do&gt;</td>
<td>10</td>
<td>24.00</td>
<td>64.00</td>
<td>167%</td>
</tr>
<tr>
<td>Prazinamide</td>
<td>&lt;do&gt;</td>
<td>10</td>
<td>17.01</td>
<td>46.95</td>
<td>176%</td>
</tr>
<tr>
<td>Lignocaine Hcl</td>
<td>Anaesthetic</td>
<td>30 ml.</td>
<td>4.16</td>
<td>12.40</td>
<td>198%</td>
</tr>
<tr>
<td>Promethazine Hcl</td>
<td>Anti allergic</td>
<td>10</td>
<td>1.25</td>
<td>3.23</td>
<td>158%</td>
</tr>
<tr>
<td>Antacid liq.</td>
<td>Gastritis</td>
<td>200 ml.</td>
<td>13.00</td>
<td>23.00</td>
<td>77%</td>
</tr>
<tr>
<td>Oxysedrine Hcl</td>
<td>Angina pectoris</td>
<td>10</td>
<td>10.44</td>
<td>21.41</td>
<td>105%</td>
</tr>
<tr>
<td>Dipyridamole</td>
<td>Anti angina</td>
<td>10</td>
<td>2.00</td>
<td>4.73</td>
<td>137%</td>
</tr>
</tbody>
</table>

Source: By the courtesy of General Secretary of Federation of Medical & Sales Representatives of India.

Table-6.6 shows that there has been increase in prices of some drugs during 1995-98 which is due to the implementation of WTO agreements. The table also shows that highest increase is in Ethambutol i.e., 457 per cent. The prices of Antacid liquid has increased but lesser than others i.e., 77 per cent over 1995.

Further under WTO agreement, the imposition of products patent regime, the prices of all new drugs (patented) will go up without any control of domestic law. The DPCO become irrelevant and people's
market access to newer drugs will be restricted only to the rich countries. Today India is under-pressure to provide market access to foreign companies while for India’s export of its drugs to western markets is increasingly becoming harder due to non-tariff barriers in the form of social and environmental regulations. This is one way of undermining the India’s comparative advantage in labour cost and lower prices in case of drugs.

II. **Impact of Availability of Drugs**

Due to patenting system availability of new drugs from indigenous sources would be reduced because the domestic industry cannot produce at high cost of technology, cost of patents, and product has already patented by multinationals which used in production process. Thus India’s dependence on imports is likely to go up.

III. **Impact on Medium and Small Scale Pharmaceutical Sectors**

The existing industries in medium and small scale sector face serious degrowth because they have no possibility of developing newer products. Even for the existing products, new patents will be implemented. It is difficult for these industries to market their existing products because they have paucity of fund. So they can not patent their products.

IV. **Impact on Technology**

In comparison to multinational technology, India’s technology is obsolete. Multinational companies provide their product with new
technology at low cost at a considerable extent. It means that if India used obsolete technology, its cost will be higher than multinationals. Consequently Indian drugs will not be competitive in international market. Even the purchase of latest technology is exhorbitantly expensive affair the Indian firms may not afford. Further even if some of the organisation may afford, still it is less likely that the MNCs would provide/share the latest technology.

On the other hand most of the multinational companies are present in India and have equity participation in their Indian counterparts. With the policy that permitting multinationals to increase the share-holding, they make their interest in bringing their latest technology to manufacture additional bulk drugs to improve these facilities. Hence, indigenous sector have better opportunities to enter into technical collaboration with the firms underrepresented in India.

V. Impact on New Drugs

Most of the new drugs during the last five years which covered by patents are manufactured by imported bulk drugs. This will lead to rely on technical collaboration agreement with multinational companies.

VI. Impact on Research and Development

To established an identity in the international market, research and development activities should be strengthened with substantial investment by Indian industries. The impact on Indian domestic research
and development activities would be effected. Paucity of funds particularly in drugs and pharmaceutical industries, research in both, public and private sectors are likely to suffer specially research concerned with process technologies as there are no more takers of process technologies in the new patent regime. For product patents (basic research) India does not have the funds of the infrastructure to match and compete with the MNCs.

VII. Impact on Employment

With the reduction of tariff barriers in foreign imports many drug’s manufacturers in India have lost their existence in competition of the foreign firms. As a result of this, the owners of Indian factories closing down their units and throwing the workers out of employment. Messrs Boehringer Mannheim, and Parks Davis who were only the producers of Chloramphenicol in India stopped their production because its prices in the international market were cheaper than the cost of production in India M/s. Sarabhai chemicals also closed their Vitamin ‘C’ for the same reason. Like Chloramphenicol and Vitamin C, many other drugs like paracetamol, metronidazole, ampicillin, amoxycillin, etc. are available at a cheaper price in other countries when compared the prices in India. So Indian factories have closed and worker are on the street. For the use of above drugs our country is ensuring demand-supply gap through imports. Hindustan Ciba, Roche, Abbot, Boehringer Mannheim, Park Davis, Boots etc. have close their factories and offered a voluntary
retiring scheme to workers and sold the land of their factories. Other factories like Pfizer, Rhone Poulenc, Glaxo etc. have also reduced their work force. Crores of rupees have been spent to give VRS. Some of the companies opened new smaller factories in new places and appointed to the workers at lower wages and more workload.

The another impact of TRIPs is that the animals like cows, fruits like mangoes, trees like neem, spices like haldi would be patented by MNCs. The local producers will have to wait for 20 years when the current patented tenure expires. Before the time when they can start to manufacture the product, its product’s value will probably undermined by the new product in the market.

**Impact of WTO on General Agreement on Trade in Services**

One of the most growing areas of activity is the service sector today. Traditionally, apart from financial, communication and tourism new parts of service sector such as environment, education and counselling are emerging service sector which has led to a world boom in respect of services which can be seen from the following table-6.7.
Table-6.7

**Share of Service Sector in GDP (Per cent)**

<table>
<thead>
<tr>
<th></th>
<th>1980</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>India</td>
<td>36</td>
</tr>
<tr>
<td>2.</td>
<td>Pakistan</td>
<td>46</td>
</tr>
<tr>
<td>3.</td>
<td>Bangladesh</td>
<td>34</td>
</tr>
<tr>
<td>4.</td>
<td>Shri Lanka</td>
<td>43</td>
</tr>
<tr>
<td>5.</td>
<td>Nepal</td>
<td>26</td>
</tr>
<tr>
<td>6.</td>
<td>Hong Kong</td>
<td>49</td>
</tr>
<tr>
<td>7.</td>
<td>Singapore</td>
<td>61</td>
</tr>
<tr>
<td>8.</td>
<td>Korea</td>
<td>45</td>
</tr>
<tr>
<td>9.</td>
<td>China</td>
<td>21</td>
</tr>
<tr>
<td>10.</td>
<td>Argentina</td>
<td>52</td>
</tr>
<tr>
<td>11.</td>
<td>Brazil</td>
<td>45</td>
</tr>
<tr>
<td>12.</td>
<td>Mexico</td>
<td>59</td>
</tr>
<tr>
<td>13.</td>
<td>South Africa</td>
<td>43</td>
</tr>
<tr>
<td>14.</td>
<td>Kenya</td>
<td>47</td>
</tr>
<tr>
<td>15.</td>
<td>USA</td>
<td>64</td>
</tr>
<tr>
<td>16.</td>
<td>Japan</td>
<td>54</td>
</tr>
<tr>
<td>17.</td>
<td>France</td>
<td>62</td>
</tr>
<tr>
<td>World</td>
<td>55</td>
<td>63</td>
</tr>
</tbody>
</table>

**Source:** World Development Indicators - 1998, 2001.

The above mentioned table-6.7 reveals that India's share of service sector in gross domestic product increased from 36 per cent in 1980 to 46 per cent in 1999 and the world's share increased from 55 per cent
to 63 per cent over 1980. The table also highlights that the USA has the largest share of services in gross domestic product and China has the lowest share in gross domestic product. Hong Kong registered the largest share of services from 1980 to 1999 in comparison to other, Singapore and Pakistan registered the lowest growth between 1980 to 1999 as compare to other countries.

In the last two decades, the service sector has expanded rapidly all over the world, though by comparison in India the growth has not been so pronounced. Generally speaking, the developed countries have dominated this expansion of services, accordingly for three-quarter of the world services output. In 1997, service sector output was valued 6.1 trillion $ or 61 per cent of global output of goods and services. The sector constitutes more than 60 per cent of economic activity in all OECD countries, correspondingly the services today constitute over 50 per cent of economic activity in developing countries which is significantly more than the traditional sector such as agriculture.

India’s place in the globalisation can be seen from the fact that in 1999-2000 India’s total services trade was estimated at about $ 30 billion. One important method for developing the service sector is to allow FDI into Indian economy. The justification is that the requirement for capital for upgradation, expansion and modernisation of most services is so large that we just do not have resources to invest in them. FDI will also be beneficial in the area of infrastructure and health.
In the Health Sector, FDI would help upgrade standards in hospitals and bring in technology and better management practices. Although, there is possibility that good doctors will leave government hospitals and join the foreign ones for higher pays and more attractive working conditions. This will create an internal brain drain. However, on the same count it would be wrong to deprive the health sector of FDI since there will be an overall improvement of standards in health care. In some sectors FDI must be welcomed.

We seem to have a mental block about making commitment under the GATS framework of the WTO. For instance, we allowed 55 per cent foreign equity participation in Software Services in WTO commitment but in practice, we allow upto 100 per cent. The software industry is one of the fastest growing service sector in the world and also in India. The Industry comprises software implementation services, consultancy, system design, analysis, maintenance, and supportive services. The growing trend towards foreign collaboration in software sector is one of the reasons for India’s strong performance in software exports. We have a large exports of software and there is also a large inflow of FDI into software sector.

We should now concentrate on the development of new professional services such as legal services, accounting, architecture and design, construction and engineering and educational services.
**Educational Services**- India has to pay serious attention to GATS agreements as applicable to education services, identify opportunities and competitiveness in various sub-sectors and negotiate commitments accordingly.

There is vast potentialities in all levels of education, i.e. primary, secondary, higher education, distant education, education testing services, education materials, on-line courses, editions of books and sale of education CDs etc. It also involves the services generated by movement of students and teachers for the sake of education. The actual presence of educational service providers each as university or its service brands will also generates services.

It must be understood that GATS does not make mandatory for member countries to open up all segments of education. Based on perspectives, gains, specific segments can be opened up in phased manner.

We may commit to all modes of trade in higher education as well. However, it must be borne in mind that India will have to actively seek niche markets for India-Specific Knowledge Programmes. Moreover, infrastructure upgradation of our premier and import-competing institutions must be done on priority basis, so that they can effectively compete with foreign institution based in India. Again, for this purpose, India must propose liberalisation. A transition period of six years is
needed to bring our priority institutions on par with the foreign institutions in terms of infrastructure and facilities.

**Banking Services** - As important constituents of the financial reforms strategy adopted in 1990s has been the opening of the economy to foreign investment—both direct and portfolio. As reforms gathered momentum particularly the current account convertibility in 1994-95, foreign direct investment (FDI) and portfolio capital flows began to predominance over often form of capital inflows. India is also looking for ways of improving competitive conditions in domestic financial sector to raise efficiency by attracting more foreign capital inflows, particularly more long-term equity investment. The Banking sector in India currently suffer from a number of weaknesses such as higher costs, poor management, trade unions’ pressure, political interference and unprofitable branches. A likely benefit from joining a binding multilateral regime would be to loosen the banking sector from grip of powerful interest group.

The WTO recognises four different modes of supply through which trade in financial services can occur. They are first, ‘cross border supply’—whereby domestic consumer buys financial services from financial institutions located abroad, second, ‘consumption abroad’ - whereby a consumer can purchase financial services while travelling abroad, third, ‘commercial presence’ - whereby a foreign bank or any financial institution establishes a branch or subsidiary in the territory of a country
and supplies financial services, fourth, 'movement of natural persons'-whereby natural persons supply a financial services in territory of a foreign member country.

The entry of foreign financial institutions will impact our domestic financial sector, as follows:

- The entry will lead to improvement in our banking sector, efficiency through reduction in profitability, lower overheads expenses and interest margin for domestic banks.

- It would bring a variety of new financial product, better risk management techniques, state of the art technology and better regulations and supervision.

- It would put pressure on domestic supervisory staff to augment their quality and size of services.

- There would be erosion of franchise value of domestic market.

- Less finance will be available to disadvantageous segments of economy including farmers and small firms.

- Quick dominance over domestic banking market, and acquisition of domestic banking institution by foreign banks.

- Ultimately leads to concentrated ownership of foreign banks on our banking sector.
Keeping in view the negative and positive impact of foreign banks' entry in domestic market, we must undertake internal reforms in our banking sector and upgrade them with technological and managerial advancements, although there are apprehensions regarding FDI in financial sector as we do not have convertibility on capital account.

**Cross Border Movement of Labour**

Globalisation has set in motion in forces, which are creating a demand for labour mobility across borders as developing institutions on supply side to meet this demand. The movement of labour from countries where there is a labour surplus to countries where there is a labour shortage. The WTO has overlooked this issue as this can be beneficial for developing countries.

There is a potential conflict between laws of nations that restrict the movement of labour across the borders and economics of globalisation that induces the movement of labour across border. So there must be some equivalent of WTO concept of ‘national treatment’ for migrant labourers. The issues regarding legal migration, exploitation of foreign workers, their conditions of employment, workers remittances, work permits, employment benefits and appropriate safeguards measures are to be framed.

In WTO rules for service sectors, two obligations are applied to all services. These are the Most Favoured Nation (MFN) treatment from
service suppliers of one country must be extended to service suppliers of another countries and transparency by way of publication of all news and regulations. It means that the services like banking, insurance, investment banking, health and other professional services that are opened up will be bound by the WTO commitments.

So, India will have to open-up its service sector to other WTO member countries. This will result to entry of overseas service providers into the service sectors in the country which might check the growth of domestic enterprises.

The GATS agreements has the potential to open up all aspect of a national economy to foreign competition. There are several income generating services include brokerage, communications, non-merchandise insurance, leasing and rental equipment, technical and professional services. Today the most encompassing and growing area of activity is services sector. Traditionally we have been thinking all these services but the present development has crossed these boundaries. Nascent and emerging areas such as environmental, educational and counselling services are also part of this emerging sector. We have opened our economy in service sector. The main objects are as follows:

1. For increasing economic performance.
2. For development.
3. For consumer savings.
4. For faster innovation.
5. For greater transparency and predictability.
6. For Technology transfer.
7. For better growth of employment.

To achieve these objects India has submitted a proposal on the movement of natural persons as it is an issue of interest of India. The Doha Declaration recognises the work already undertaken negotiations including a large number of proposals submitted by members on a wide range of sectors and several horizontal issues as well as on movement of natural persons. The time schedule as per the Ministerial Declaration for initial requests for specific commitments and initial offers are 30 June 2002 and 31 March 2003 respectively.

India’s Share

India’s services sector is not as underdeveloped as many other developing countries have yet in terms of new agreement, it will be required to denationalise insurance and banking, thus the banking sector may not be able to play a positive social role as it has been playing since 1969. When 14 major banks were nationalised. Foreign firms will now be free to expand their network in the Indian services sectors. They will also be free to remit resources to their parent country in the form of projects interest Royalties etc. All this will involve a foreign exchange burden on India as far as Indian firms are concerned they will find it difficult to compete with the firms supplying services in the developed countries.
In 1997 services sector output was valued at $6.1 trillion or 61 per cent of global output of goods and services. The sector constitutes more that 60 per cent of economic activity in all OECD countries. Correspondingly in services today constitute over 50 per cent of economic activity in developing countries. Table-6.8 give a clear picture of service exports of some selected countries.

**Table-6.8**

<table>
<thead>
<tr>
<th>Country</th>
<th>Export US$ million</th>
<th>As % of World Exports of Services</th>
<th>Per centage increase in 1999 over 1990</th>
<th>Annual Average growth rate (1990-99)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1990</td>
<td>1999</td>
<td>1990</td>
<td>1999</td>
</tr>
<tr>
<td>India</td>
<td>4,609</td>
<td>13,940</td>
<td>0.60</td>
<td>1.1</td>
</tr>
<tr>
<td>China</td>
<td>1,786</td>
<td>3,701</td>
<td>0.23</td>
<td>0.29</td>
</tr>
<tr>
<td>South Korea</td>
<td>9,155</td>
<td>24,822</td>
<td>1.19</td>
<td>1.95</td>
</tr>
<tr>
<td>Mexico</td>
<td>7,222</td>
<td>11,829</td>
<td>0.94</td>
<td>0.93</td>
</tr>
<tr>
<td>World Export</td>
<td>766,353</td>
<td>1,271,417</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

*Source: Compiled and computed from the data provided on World Bank, World Development Indicators (2001)*

Table-6.8 represents that in 1990 India's share in world services export was 0.60 per cent and it rose to 1.1 per cent in 1999. It is a significant improvement. In absolute terms services exports rose from $4609 million in 1990 to $13940 million in 1999, showing a thrice-fold increase over 1990. The annual average increase in services exports
works out to be 20.25 per cent for India. The performance of India in services exports is better due to a sharp increase in software services.

**Emerging Possibilities**

We can increase our trade of services. One important method for developing the service sector is to allow more FDI into the Indian economy. The justification is that the requirement for capital for upgrading, expanding and modernising most services is so large that we just do not have the resources to invest them. For example in the telecommunication sector the government and domestic private players taken together would not be able to garner the necessary capital for investment. In some cases foreign investment is required for concomitant technological and managerial expertise, which may not be present in India, FDI will also be beneficial in the area of infrastructure, health and tourism. According to the world Travel and Tourism Council tourism is the world’s largest employer accounting for one in ten workers worldwide. According to IMF data for 1999 tourism exports, estimated at US$ 443 billion, were 33 per cent of global services exports and 6.5 per cent of total exports.

Tourism has emerged as an instrument for employment generation, poverty alleviation and sustainable human development. During 1999-2000 direct employment in the tourism sector was estimated to be 15.50 million. Tourism also promotes international understanding and gives support to local handicraft and cultural activities. Foreign tourists arrivals
during 2000 were 26,41,157. India’s share in the world tourist market was 0.38 per cent. Foreign exchange earnings from tourism during 2000 were estimated at Rs. 14,475 crore. There are great possibilities for development of tourism and other service areas industry in India, due to GATS.

**Trade Related Investment Measures**

These measures assure free entry (competition) for foreign as well as Indian companies on the same terms and conditions. It means Indian companies will have to compete with the MNCs on the basis of survival of fittest. It is clear that many small scale companies will disappear in future and big companies will also choose the strategy to survive with MNCs in the changed global competitive environment. As the foreign enterprises can set their business, there may be an increasing possibility of takeover and acquisitions. On the other hand foreign investment lead to foreign exchange earnings and better technology in the country.

**Implications of Removal of Quantitative Restrictions (QRs)**

Quantitative Restrictions are imposed by the nations to curb imports. The other way to restrict imports is by imposing tariffs. But it is clear that quotas hurt the economy more than the tariffs. Lifting of QRs however does not mean completely free trade. The government has option to hike the tariffs on any item it wishes to protect. Quantitative Restrictions at present apply to about 2700 items, out of which 800
are agricultural commodities. Removal of QRs will promote both the exports as well as the imports. The idea behind the trade liberalisation is to shift production to the areas where resources are more favourable. Lifting of QRs will also affect small scale industry sector (SSI). Reservation of about 700 goods exclusively for the SSI sector would be rendered meaningless. High import duties may not be able to block their entry into the country. The reservation of these items for SSI was to provide protection to them against the domestic large-scale industry. After lifting the QRs, SSI would have to compete with the domestic large scale industry in addition to the cheaper imports from other countries. More than 31 lakh SSI units with a total annual output over Rs. 50,000/-crore and employing about 172 lakh people constituting the backbone of Indian economy are seriously concerned over cheaper imports from developed countries.

**Impact of WTO on Information Technology**

Under information technology agreements of WTO, Indian hardware and software companies can become major players in value added system. The availability of highly skilled information technological personnel and low cost of labour will allow India to compete in the international market.
Impact of WTO on Liquor Companies

Indian liquor companies are anxious. Currently the import tariff is pegged at 233 per cent. But under WTO regulations, the government will be forced to cut import duties on foreign liquor brands. This will affect domestic liquor companies. Thus domestic liquor companies press the government to allow the present tax structure continue till 2003 and then reduce it in a phased manner to 150 per cent by the year 2006. But the multinational liquor companies like Seagram, Bacardi-Martini and UDV are in favour of lowering the import tariff along with the removal of quantitative restrictions. The Indian company's fear is that multinational liquor firms will flood the Indian market with cheap and second hand products when import curbs are removed. So, it is a threat to the Indian domestic industry and they are not sitting cool. They are struggling to meet the global challenges when Indian markets open up. They are making new business plans to survive local brands ultimately.

Impact of WTO on Small Scale Industries

WTO is directly dealing with Small Scale Industries (SSIs) as it talks about the enhanced efficiency through better fixation of various factors of production and increased welfare at a global level by demanding the goods in large quantity between countries, making an identity of SSIs, better working conditions with fair wages and other agreements which helps in fair market access like anti-dumping and countervailing measures.
Market access through efficiency is the main theme of WTO agreements. However, the indirect affect (action on another industry lead to effect on SSIs) of the WTO agreements will effect the Indian SSIs.

Agreement on market accessibility reduce the tariffs and non-tariff barriers. This means that import of goods will increase competition in all products because there is a huge gap between the Indian technology as well as advanced country's technology. People wants to buy new technological products with lower cost. Thus this may results Indian items non-competitive.

The agreement on Sanitary and Phyto-Sanitary measures likely to effect the agro based and dairy products. Developed world markets are highly standardised in these measures which is difficult for developing nations because it requires heavy investment which may ultimately prove to be a barrier to gaining the market access. The environment measures also effect the Small Scale Enterprises (SMEs) because they produced the products with obsolete technology which is not environment friendly. The issues related to labour standards would also effect the export market of garments, carpets, brassware, handicrafts etc. where large number of child labour is employed in India.

Thus because of WTO it has become difficult for many Small Scale Industries to survive who are facing tough competition from cheap imports particularly from China and on the other hand SSIs are facing
stiff competition from big Indian companies which has caused sickness in the Indian SSIs, because China is one-fifth in the total population of the world. It has a large market and lower cost because of economies of large scale production from large scale industries. These factors may cause industrial sickness in SSIs. Following table-6.9 shows the sickness in SSIs increased from 1995 to 1999.

**Table-6.9**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Sick units in number</th>
<th>Change in sickness in per centage</th>
<th>No. of viable units</th>
<th>Proportion of viable units. Total units in per centage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>268,815</td>
<td>5</td>
<td>15,539</td>
<td>5.8</td>
</tr>
<tr>
<td>1996</td>
<td>262,376</td>
<td>10</td>
<td>16,424</td>
<td>6.3</td>
</tr>
<tr>
<td>1997</td>
<td>235,032</td>
<td>-10</td>
<td>16,220</td>
<td>6.9</td>
</tr>
<tr>
<td>1998</td>
<td>221,536</td>
<td>-6</td>
<td>18,686</td>
<td>8.4</td>
</tr>
<tr>
<td>1999</td>
<td>306,221</td>
<td>38</td>
<td>18,692</td>
<td>6.1</td>
</tr>
</tbody>
</table>

*Source: Annual Report 1999-2000, Ministry of Small Industries and Agro and Rural Industries, Government of India*

It can be seen from the table-6.9 that as the number of total sick units increased to 306,221 in 1999 from 268,815 in 1995. The number of viable units also increased from 15,539 in 1995 to 18,692 in 1999. There has been increase in sick units from 5 per cent to 38 per cent over 1995 whereas the viable units have shown a marginal increase
i.e., 5.8 per cent in 1995 to 6.1 per cent in 1999. All this clearly reveals that the sickness in SSI sector has increased more rapidly as compare to viability because of WTO agreement.

Impact of WTO Challenges on Indian Dairy Farmers

Dairy is one of the sector which is affected by WTO. During the negotiation in 1985, India failed to bargain and agreed to allow import of milk and milk product under zero per cent based duty. This is because the developed countries provide subsidies to their farmers, so their prices of dairy products were low whereas, Indian dairy products prices were high. In 1999 Indian traders imported 10,000 metric tonnes of milk powder and in the year 2000, India was threatened by the arrival of fresh milk in Mumbai from New Zealand at the landed cost of Rs. 9 per litre as compared to Rs 14-16 in India. The government of India imposed heavy duty on milk in the budget of 2001, but this duty will have to be abolished before the year 2006 under WTO agreement and we have only 5 years to gear-up ourselves for international competition.

India’s main problems are high cost of milk production, poor quality, poor preservation, packaging and unhygienic milk handling. Its cost is high because the average milk yield of Indian cow is only 987 Kg. as compared to 6273 Kg. in Denmark, 5289 Kg. in France, 5462 Kg. in U.K., 5938 Kg. in Canada, 7038 Kg. in USA and 11000 Kg. in Israel. The milk is unhygienic because of poor health of animals, polluted food and water and unclear surrounding in the farm. Chemical drugs also
affect the quality of milk. To make the quality of milk conform
to international standard, India should reduce cost of handling, maintain
hygiene and add the value to product. Emphasis should be laid on preventive
health care and curative aspect and quality of food should be checked,
it should be free from pollution. All these aspects can help us to face
the challenges of imported milk products.

The implications of WTO Agreements on various fields will be wide
and varied. Though it may succeed in freeing trade and globalisation to
an extent, but it will create a ‘imbalance growth’ of world economy. It
may also pave a greater way for the growth of economic ‘imperialism’
of a developed industrialised nations world over. The developed countries
had exploited natural resources of developing countries and earned a
lot. Comparatively they are advanced in technology, managerial skills
and financial backup etc.

Overall Impact of WTO on Indian Economy

What India gained from WTO may be understood from the
performance of its various sectors and failures of Indian economy under
WTO regime. Indian Economy and the contribution of both the
secondary, tertiary sector to GDP rising as compared to the primary
sector. The faster global linkage of Indian economy is also witnessed in
1990s as compared to 1980s and more so during the second half of
1990s. Structural changes has also occurred in India’s trade moving
towards the increasing share of manufacturing goods during the post
WTO era. The GDP growth rate under WTO is also not disappointing.
From this it appears that the Indian economy has been benefited much from WTO. The true picture may be discovered from the annual percentage change, which shows pessimistic developments in the post 1995 scenario. The table-6.10 reveals the structure and growth of Indian economy by major sectors from 1981-82 to 1999-2000.
### Table 6.10
(At constant 1981-82 Prices)

<table>
<thead>
<tr>
<th>Year</th>
<th>% Share to total GDP</th>
<th>% Share to Total Export</th>
<th>Annual Percentage Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1982-83</td>
<td>37.33</td>
<td>22.38</td>
<td>40.29</td>
</tr>
<tr>
<td>1984-85</td>
<td>35.94</td>
<td>22.94</td>
<td>41.13</td>
</tr>
<tr>
<td>1985-86</td>
<td>34.63</td>
<td>23.02</td>
<td>42.35</td>
</tr>
<tr>
<td>1986-87</td>
<td>32.63</td>
<td>23.79</td>
<td>43.57</td>
</tr>
<tr>
<td>1987-88</td>
<td>31.40</td>
<td>24.42</td>
<td>44.18</td>
</tr>
<tr>
<td>1989-90</td>
<td>31.40</td>
<td>25.11</td>
<td>43.48</td>
</tr>
<tr>
<td>1990-91</td>
<td>30.93</td>
<td>25.38</td>
<td>43.69</td>
</tr>
<tr>
<td>1991-92</td>
<td>29.96</td>
<td>24.68</td>
<td>45.35</td>
</tr>
<tr>
<td>1993-94</td>
<td>29.49</td>
<td>24.80</td>
<td>45.71</td>
</tr>
<tr>
<td>1996-97</td>
<td>27.92</td>
<td>27.20</td>
<td>45.44</td>
</tr>
<tr>
<td>1997-98</td>
<td>25.98</td>
<td>27.17</td>
<td>47.23</td>
</tr>
<tr>
<td>1998-99</td>
<td>26.07</td>
<td>26.36</td>
<td>47.78</td>
</tr>
<tr>
<td>1999-00</td>
<td>24.81</td>
<td>26.62</td>
<td>48.97</td>
</tr>
</tbody>
</table>

The table-6.10, shows that there is marked decline not only in total exports and total imports but also the exports of agricultural and industrial products. The export of agro-products shows negative growth which reached to the level of 15.48 per cent in the year 1999-00. India’s export performance is expected to be deteriorated during the current fiscal year because of recession in USA, Western Europe and Japan. The first two are India’s major trade partners. India’s Commerce Minister has slashed the export target by 8 per cent from 20 per cent to be achieved during 2001-2002. Moreover, India’s share in global trade may reduce to 0.5 per cent in 2001-2002 from the current level 0.64 per cent.

Indian rupee has constantly fallen since the introduction of economic reforms in 1991. It stands more than Rs. 47 per U.S. dollar. Such “hidden devaluation” encouraging exports does not reflect real performance of our exports. India’s share in total foreign direct investment (FDI) flowing into all the developing countries including China has persistently fallen from 1.9 per cent in 1995 to 1.0 per cent in 1999. The actual arrival of FDI has remained much lower as compared to the approvals has hardly exceeded 22.0 per cent. In response of the slow progress of India’s manufacturing sector in the second half of 1990’s the stock market has shown mostly the bearish trends particularly during recent months. Cost of living index is increasing day by day. Above all, India’s public sector has proved to be the real burden on Indian economy because of its inefficiencies with little accountability.
The most depressing effect of WTO is on the displacement of our workers engaged in small and medium industries. The employment has declined in both the rural and urban sectors. According to 1998 economic census data, employment in rural India declined at the rate of 1.6 per cent during 1990s while it increased during 1980s at the rate of 3.13 per cent. In terms of total member of jobs, about 7 million Indian workers lost their jobs in both rural and urban areas during the period 1990-98. These trends are expected to take worst form, because of removal of all the quantitative restrictions on India’s exports from April 2001.

The negative side of the impact of WTO on Indian economy seems to be more convincing. It failed to improve the standards of living of our people specially percolating the gains to poor section of society. The pertinent question is to identify the causes responsible for such unfavourable effects. Indeed the north-south dichotomy does not permit the gains flowing from globalisation to the developing countries in distortion free and fair manner. There is vast gap between the developed and developing economies due to the early beginning of industrialisation, access to international source of capital, innovative technology and management techniques enjoyed by the former. The gap is so wide that the latter countries are not able to compete on their own footing unless and until they are provided certain concession. The level playing field is applicable to the equal partners. It rather strengthens the gulf between
two players with totally unequal level of their growth and development. It will take long time when the developing world is in a position to compete with the developed world in a competitive manner.

The implementation of WTO agreements has placed the countries like India in perplexed situation. The opening of market under free trade pretext has enabled the developed countries to have free access in the market of developing countries while the latter continues to face several problems in the name of environment, and labour standard. They are even preventing India's exports under false arguments like child labour and fish caught while harming the sea-turtle.

While India maintained zero or low tariff on most of the imported products except beverages as compared to the negotiated tariff rate, the developed countries not only imposed higher tariff rates but also adopted other methods. These are tariff rate quota (TRQ) i.e. importing certain amount at relatively low rate and the successive amount of the product at the increasing tariff rate. They did not also reduce the export subsidy as required. In particular, the European Union extends large amount of subsidies to their farmers in order to enable them to export farm products at competitive rate in the world market. These steps has discriminated exports from developing countries.

The TRIPs, TRIMs and GATS all have carried out injurious effects on Indian economy because of the insistence on their one-sided implementation. TRIPs did not take into account India's desire for
disclosing the sources of materials used in the innovations of products. There are several plants and products such as neem and basmati rice which have Indian origin are being patented by the West without even referring to the traditional knowledge used. India adopted its own Patent ACT in 1970 pursuing innovative approach in the processes of production as well as final products. India evolved the techniques costing much less in the processes of production of many agricultural and pharmaceutical products, which are now being claimed by the developed countries.

The developed countries are also asking equal treatment to all the companies irrespective of their origin under TRIMs. It is well known fact that Indian companies face tough competition from the multinationals enjoying world wide network. The provisions of TRIMs treating multinationals on equal terms and exempting them from using local raw material and export obligations means the developing countries becoming the colonies of developed counties. Similarly, the GATS have placed the Indian service sector in a disadvantageous position. The free trade in services like banking, insurance and shipping transport and telecommunications, etc. is promoting growth in the developed countries by providing larger market in developing countries. The technology transfer clause under GATS has not benefited India much. The labour movement is restricted only to perform the particular services normally performed by the professionals of developed countries. The mobility of unskilled labour has been excluded from WTO agreements.
To conclude, there is no escape from the implementation of WTO agreements whatsoever the cost is incurred on Indian economy. It may be in terms of mergers and acquisition of Indian companies by the multinational, closure of small and medium level industries and the displacement of workers both in the rural and urban areas. India has cooperated with WTO commitments and even removed all the remaining quantitative restrictions on imports, which is likely to harm our agriculture and small-scale industries further and more so, after China joins WTO probably in November, 2001.

India should face the international competitiveness which may be achieved through upgrading the technology, improving the quality of products and adoption of cost effective techniques of production. Although, the developed countries should realise the vast gap existing in the growth and development between them and the developing countries; yet the efforts are to be made by the latter to catch up the growth level of advanced countries in order to compete with them at the global level.

It should not be forgotten that the rapid progress of the developed countries owes much to the cheap raw materials and labour of developing counties. Therefore, former should provide financial assistance generously to the latter and allow them longer time to make adjustments in the resources in order to reach the level where both types of economies compete with each other on the basis of real reciprocity i.e., equal
treatment for equal partners. The foregoing millennium round at Doha, November 2001 should be utilised by India along with the other developing countries for insisting the implementation of Uruguay 1994 agreements in order to enjoy market access in developed countries. India should oppose again the issues such as multilateral agreement of investment (MAI), social clause (child labour) and environmental standards. They are domestic problems and to be dealt at the domestic level.

It follows from the foregoing discussion that India is facing implications from the new agreements of the WTO which are as follows:

1. The first disadvantage of WTO in Indian context relates to TRIPs Agreements goes against the Patent Act of India (1970) in the following areas:

   (i) Under the Indian Patents Act only process patents can be granted in food, chemicals and medicines whereas TRIPs Agreement provides for granting product patents also in all these areas;

   (ii) Under TRIPs Agreement methods of agriculture and horticulture and bio-technological processes (living organisms like plants and animals) are patentable, there is no any exception under the Indian Patents Act;

   (iii) TRIPs Agreement provides that the general terms of a patent
shall be 20 years. The Indian Patents Act provides for a general term of 14 years for both product as well as process patents. In the sectors like food, chemicals and medicines, process patents are granted for a duration of 5 to 7 years;

(iv) In Indian Patents system there are reasonable and effective provisions for the compulsory licensing of patents and also for the cancelation of patents in public interest. But under TRIPs agreement there are no such provisions;

(v) Under TRIPs no ceiling can be placed on royalty demanded on patents like in the Indian Patents Act; and

(vi) Under the Indian legal system, the patentee has to establish a prima facia case that his patent has been infringed. However, under TRIPs the patentee will just have to accuse a person or a company of patent infringement and the person or company will have to prove that he did not infringed the patent.

2. Under Patent Act of 1970 in India only process patents are granted to drugs and medicines. It means that Indian company only needs to develop and patent its own process for producing a drug, even if it can not invent the drug itself. The company can manufacture this drug if it is protected under a product patent abroad. For this the Indian drug companies are allowed to obtain 'licences of right' which allow them to produce, regardless of the process used,
inventions patented abroad. The licences of right can be obtained only 3 years after the original patent is granted. This law effects positively to India. Indian drug prices are lowest of cost in the world. Thus indigenous pharmaceutical grew rapidly, but the granting of product patents will place the reins of Indian pharmaceutical industry in the hands of Multinational Corporations (MNCs) who will exploit this advantage by charging high rates of royalty.

3. In India, plant breeding and seed production are in the public domain. Plant breeding is undertaken by Agricultural Universities and units of ICAR (Indian Council of Agricultural Research), whereas seed multiplication is in the hands of the National and State Seed Corporations. This is to facilitate livelihood for the majority of the population and to become self sufficient in food grains. Patenting of plant varieties will transfer these gains to multinational corporations because almost all new varieties will belong to MNCs due to their strong financial resources.

4. Under TRIPs, not only plant varieties are patented but the large area of micro organisms (who have very small forms of life) is also patented. These include such living creatures like bacteria, virus, fungus, algae, small plants and animals and genes. The economic sectors like agriculture, pharmaceuticals and industrial biotechnology are linked with micro organisms which effects these
industries. In case of agriculture, efforts are being made to develop bio-substitutes for fertilisers and pesticides which are presently not ecological and are poisoning our land and water. In pharmaceuticals, the patenting of life forms will hit the indigenous manufacturing of such drugs. It is estimated that in next two or three decades, 60-70 per cent global economy would rely on biotechnology. In biotechnological factor. MNCs of developed countries are versatile, they use new technology comparatively. Except this the patents in above three sectors concerned with multinational companies. Thus multinational companies will dominate the global economy in the coming years.

5. The developed countries achieved almost everything which they want from TRIMs Agreements. So in order to make the agreement balance from the developing point of view, it is necessary to formulate international rules for controlling restrictive business practices of foreign investors, but the TRIMs agreement is silent on this question and is only concerned with the provisions for elimination of trade related investment measures which is designed to protect the interest of foreign investors in the developing countries. When TRIMs provide market access to MNCs otherwise a drain on the foreign exchange reserves of the developing countries, will aggrevate their balance of payments problem and developing countries have been allowed to deviate from the provisions of TRIMs Agreement on balance of payments ground.
6. In service sector there are wide differences in development services like banking, insurance, telecommunications and shipping in the developed and developing countries. That is why the Agreement on Trade in Services is bound to give much more benefit to developed countries than developing countries like India. On the other ground there was also insistence of the developed countries who argued that the opening up of trade in services is very important requirement for the globalisation and development of world trade. The data indicate that the size of the world market for services was $1000 billion in 1993 of which the developed countries had a share of $950 billion or 95 per cent. The developing countries had only a share of 5 per cent in the world trade of services in 1993. The main exporters of services are the USA, France, Japan and Netherlands. These countries together accounted for about 60 per cent share of the world trade in services. Thus these countries will be benefited more from the new agreement (GATS) in the WTO and the share of developing countries will decline.

In relation to India, service sector is not as underdeveloped as in other developing countries. By new Agreement of Services, India required to denationalise insurance and banking. Now, the foreign firms will be free to expand their network in Indian service sector. They will be free to remit resources to their parents country in the form of profits,
interest, royalties etc. All these will involve a foreign exchange burden on India. As far as Indian firms are concerned, they will find it difficult to compete in terms of quality with those firms which are supplying their services in developed countries but have an advantage of a well developed branch network. Thus it is not easy task for India to penetrate the services sector but given to network and a little consumer oriented approach, the Indian firms may atleast successfully compete in domestic market.

7. The Federation of Indian Export Organisations (FIEO) explains that by WTO, the tariff barriers, non tariff barriers and anti-dumping and safeguards have had a negative effect on Indian exports. The products like floriculture, textiles, pharmaceuticals, marine products and basmati exports to EU, carpet exports to Morocco, match exports to Egypt, sports goods and leather exports to the developed world and meat products to West Asia, have been hit hard by non-tariff barriers, that the developed countries imposed through the use of child labour clause, sanitary and phyto-sanitary measures. Besides these, developed countries impose several anti-dumping and safeguard duties which seriously hurt the Indian industry⁶.

Thus it can be concluded that in WTO system the opportunities and threats both are present. It is necessary in the game of WTO, that India plays every step with caution and alertness. The country needs not to think here and there. The reality is that India is the member of
the WTO and it has to think to meet global challenges to survive and remain competitive in the global market. The threats should be taken as challenges and government face these challenges in its strides.

The next chapter deals with the summary and conclusions of the entire study. It also discuss suggestions for improving the trade relations between other member countries and India.
REFERENCES


