



WTO & ITS IMPLICATIONS FOR INDIAN ECONOMY: A REVIEW

Dr. Omesh Chadha*

Eshaan Vijan**

Abstract: *One of the most dramatic events that have taken place in later part of 20th century was culmination GATT into WTO (The world Trade organization), which came into being on 1st January 2005. The WTO has set expectations high in various member countries (by now 149 including latest addition of Saudi Arabia) regarding spurt in world trade where India has insignificant share in the pie-only 0.75 at the most. Even in IT exports the share of Indian exporters is just peanuts in view of overall world market.*

Keywords: *Competitiveness, Economy, Implications, WTO.*

*Resource Person, Haryana Institute of Rural Development, Nilokheri.

**B. Tech. (Final year), Delhi Institute of Technology & Management, Gannaur, Sonipat.



INTRODUCTION

Since formation of WTO there have been regular meetings of Ministerial Conferences (Highest Policy level body of WHO) religiously every 2 years and 5 such meetings have taken place while world prepares for the Hong Kong meeting to take place shortly, the sixth one.

While 5th meet at Cancun, Mexico was more or less failure, the earlier one at Seattle, USA was received with brickbats from environmentalist and Labor union Groups protesting against WTO regime.

It is statistical fact that world trade has definitely grown since 1995 thereby giving indicators that international trade reforms do play important role in boosting economic development of various countries.

PROBLEMS FACING INDIA IN WTO & ITS IMPLEMENTATION:

But there are several problems facing these Multilateral Trade agreements:

- Predominance of developed nations in negotiations extracting more benefits from developing and under developed countries.
- Resource and skill limitations of smaller countries to understand and negotiate under rules of various agreements under WTO.
- Incompatibility of developed and developing countries resource sizes thereby causing distortions in implementing various decisions.
- Questionable effectiveness in implementations of agreements reached in past and sincerity.
- Non-tariff barriers being created by developed nations.
- Regional cooperation groups posing threat of utility of WTO agreement itself, which is multilateral encompassing all member countries.
- Poor implementation of Doha Development Agenda.
- Agriculture seems to be done of contention for all types of countries where France, Japan and some countries are just not willing to budge downwards in matter of domestic support and export assistance to farmers and exporters of agriculture produce.
- Dismantling of MFA (Multi Fiber Agreement) and its likely impact on countries like India.



- Under TRIPS question of high cost of Technology transfer, Bio Diversity protection, protection of Traditional Knowledge and Folk Arts, protection of Bio Diversities and geographical Indications of origin for example Basmati, Mysore Dosa or Champagne. The protection has been given so far in wines and spirits that suit US and European countries.

IMPLICATIONS FOR INDIA

It appears that India does not stand to gain much by shouting for agriculture reforms in developed countries because the overall tariff is lower in those countries. India will have to start major reforms in agriculture sector in India to make Agriculture globally competitive. Same way it is questionable if India will be major beneficiary in dismantling of quotas, which were available under MFA for market access in US and some EU countries. It is likely that China, Germany, North African countries, Mexico and such others may reap benefit in textiles and clothing areas unless India embarks upon major reforms in modernization and up gradation of textile sector including apparels.

Some of Singapore issues are also important like Government procure, Trade and Investment, Trade facilitation and market access mechanism.

In Pharma-sector there is need for major investments in R & D and mergers and restricting of companies is make them world class to take advantages. India has already amended patent Act and both product and Process are now patented in India. However, the large number of patents going of to companies in India has organized themselves for this.

Excerpts from Speech of Ramkrishna Hedge, the then Minister, at Geneva in 1998 –

“In order to make WTO an effective multilateral body, which serves the objectives for which it was set up, it is necessary to go back to the basic principles. The Uruguay Round negotiators had stated their intentions quite clearly in the Preamble to the Marrakesh Agreement establishing the WTO. They recognized “ that their relations in the field of trade and economic endeavor should be conducted with a view to raising standards of living, ensuring full employment and a large and steadily growing volumes of real income and effective demand, and expanding the production of and trade in goods and services while allowing for the optimal use of the world’s resources in accordance with the objective of sustainable development, seeking both to protect and preserve the environment and to enhance their means for doing so in a manner consistent with their respective needs and



concerns at different levels of economic development. They recognized also “that there is need for positive efforts designed to ensure that developing countries, and especially the least developed among them, secure a share in growth in international trade commensurate with the needs of their economic development”.

THE OBJECTIVE OF WTO REITERATED:

It is very clear that the intention of the negotiators was to use trade as an instrument for development to raise standards of living, expand production, keeping in view, particularly, the needs of developing countries and least-developed countries. The WTO must never lost sight of this basic principle. Even act of implementation and of negotiation, every legal decision, has to be viewed in this context tracked as an instrument for development, should be the concentrate of all our deliberations, decisions and actions. Besides, the system should be seen to be equitable and fair. It must be used in such a manner that the letter and spirit of the Agreements is fully observed. The WTO Members must mutually support and encourage each other to achieve the final goal. It must be recognized that all Members should assume a negotiating rather than an adversarial posture. It should also be recognized that different economies have different features and structures, different problems, different cultures. The pace of change must be carefully calibrated to take into account such differences. All Members should guard against unilateral action that cuts at the root of multilateral agreement and consensus.

Developing countries have generally been apprehensive in particular about the implementation of special and differential treatment provisions (S & D) in various Uruguay Round Agreements. Future benefits of these provisions have not accrued to the developing countries, as clear guidelines have not been laid down on how these are to be implemented.”

The first Ministerial Conference held in 1996 in Singapore saw the commencement of pressures to enlarge the agenda of WTO. Pressures were generated to introduce new Agreements on Investment Competition Policy, Transparency in Government Procurement and Trade Facilitation. The concept of **Core Labor Standards** was also taken up for introduction.

India and the developing countries, which were already under the burden of fulfilling the commitment undertaken through the Uruguay Round Agreements, and who also perceived



many of the new issues to be **Non- Trade Issues**, resisted the introduction of these new subjects into WTO. They were partly successful. The Singapore Ministerial Conference (SMC) set up open-ended work Program to study the relationship between Trade and Investment; Trade and Competition Policy; to conduct a study on Transparency in Government Procurement practices; and do analytical work on simplification of trading procedures (Trade Facilitation).

Most importantly the SMC clearly declared on the Trade-labor linkage as follows :

“We reject the use of labor standards for protectionist purposes, and agree that the comparative advantage of countries, particularly low-wage developing countries, must in no way be put into question. In this regard we note that the WTO and ILO Secretariat will continue their existing collaboration.”

Not many people in this country are aware that there is a dispute settlement system in the WTO. Those at the heart of the WTO and sets it apart from the earlier GATT. Countries like the USA and the European Union have brought cases against us and won these cases like in pharmaceutical patents. India too has complained against the US and Europe and it too has won its fair share of dispute in areas like textiles. India must effectively use this mechanism to extract fair share in world markets.

It would be advantageous for India to give concrete shape to SAARC economic forum or free market and align itself with ASEAN.

What India should do?

The most important things for India to address are speed up internal reforms in building up world-class infrastructure like roads, ports and electricity supply. India should also focus on original knowledge generation in important fields like Pharmaceutical molecules, textiles, IT high end products, processed food, installation of cold chain and agricultural logistics to tap opportunities of globalization under W regime.

India's ranking in recent Global Competitiveness report is not very encouraging due to infrastructure problems, poor governance, poor legal system and poor market access provided by India.

Our tariffs are still high compared to Developed countries and there will be pressure to reduce them further and faster.



India has solid strength, at least for mid term (5-7 years) in services sector primarily in IT sector which should be tapped and further strengthened.

India would do well to recognize its Protective Agricultural policy in name of rural poverty and Food security and try to capitalize on globalization of agriculture markets. It should rather focus on Textile industry modernization and developing international Marketing muscle and expertise, developing of Brand India, image, use its traditional arts and designs intelligently to give competitive edge, capitalization on drug sector opportunities, and develop selective engineering sector industries like automobiles and forgings and castings, processed foods industry and the high end outsourcing services.

India must improve legal and administrative infrastructure, improve trade facilitation through cutting down bureaucracy and delays and further ease its financial markets.

India has to downsize non-plan expenditure in Subsidies (which are highly ineffective and wrongly applied) and Government salaries and perquisites like pensions and administrative expenditure.

Corruption will also have to be checked by bringing in fast remedial public grievance system, legal system and information dissemination by using-e-governance.

The petroleum sector has to be boosted to tap crude oil and gas resources within Indian boundaries entering into multinational contracts to source oil reserves.

It wont be a bad idea if Indian textile and garment Industry go multinational setting their foot in western Europe, North Africa, Mexico and other such strategically located areas for large US and European markets.

The performance of India in attracting major FDI has also been poor and certainly needs boost up, if India has to develop globally competitive infrastructure and facilities in its sectors of interest for world trade.

REFERENCES:

- 1) Biswas,S.,” Knowledge Services Sector to Generate \$200-b Economy by ‘20’,*The Economic times*,New Delhi,12 April 2005,p. 16
- 2) Chadhuri,A.R., and K.Muthukumar, “The World’s Ageing and it’s an Old hand at Work All around You”, *The Economic Times*, New Delhi,15 June 2004, p. 9.
- 3) Greer, C.R 2002, *Strategic Human Resource Management: A General managerial Approach*,2000 edition, Pearson Education, Singapore.



- 4) Lengnick-Hall, M.L. and Lengnick –Hall 2003, Human Resource Management In the Know Economy: New Challenges, New Roles, New Capabilities, Berrett-Koehler Publishers, Inc., San Francisco, pp. 36-43.
- 5) Roehling, M.V., M.A. Cavanaugh, L.M. Moynihan, and W.R. Boswell 2000, "The Nature of the Employment Relationship : A Content Analysis of the Practitioner and Academic Literatures", Human Resource Management, Vol.39, no. 4, pp. 305-20.
- 6) Rytta ,C.D.2005, "The Application of Changes Management Theory to HR Portal Implementation Subsidiaries of Multinational Corporation". Human Resource Management vol. 44, no. 1, pp. 35-50
- 7) Shah, K., "The Dream Nightmare", The Economic Times, New Delhi, 10 June 2006, p.7.
- 8) Tsui, A.S. and J.B. Wu 2005, "The New Employment Relationship versus the Mutual Investment Approach: Implication for Human Resource Management", Human Resource Management, vol.44 no.2, pp. 115-21.