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INTELLIGIBILITY AND PARTICIPATION IN THE WORLD TRADE ORGANIZATION

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ABSTRACT:
"History," wrote James Baldwin, "does not refer merely, or even principally, to the past. On the contrary, the great force of history comes from the fact that we carry it within us, are unconsciously controlled by it in many ways, and history is literally present in all that we do." It is in this spirit that I have commissioned The History and Future of the World Trade Organization. The purpose of this work is to not only tell us about our past, but to explain our present and to inform our future. The General Agreement on Tariffs and Trade (GATT) arose in 1947 out of the ashes of the Second World War, as did the International Monetary Fund and what we now know as the World Bank. It was the product of unprecedented international cooperation by an international community that was deeply scarred by the damage and destruction that endless warfare had brought about; an international community searching for an entirely new beginning and a new international order. While GATT certainly ushered in a new era of international cooperation, it nonetheless had to weather the aborted effort to create the International Trade Organization, pressures of numerous other national and regional conflicts, and the entire Cold War, before eventually morphing into the WTO.

INTRODUCTION:

India is a founder member of both GATT and WTO. WTO provides a rule based, transparent and multilateral trading system, which protects member countries from the pressures of stronger trading partners. WTO rules envisage non-discrimination in the form of National Treatment and Most Favoured Nation (MFN) treatment to India's exports. National Treatment ensures that India's products once imported into the territory of other WTO Members, would not be discriminated vis-a-vis the domestic products in those countries. MFN treatment principle ensures that Members do not discriminate among various WTO Members in respect of rules, regulations, incentives, etc. If a member country feels that due benefits are not accruing to it because of trade policies and practices by another trading partner, it may file a dispute under the Dispute Settlement Mechanism (DSM) of the WTO.

IMPACT OF WTO AGREEMENTS ON INDIAN BUSINESS:

Agreement 1: General Agreement on Tariffs and Trade (GATT).

Objectives:

1. To prohibit actions of government/organisations that distort normal trade, discrimination between domestic and lawfully imported foreign goods.
2. To set guide lines for the implementation and settlement of disputes.

Business Implications for India :

1. WTO led external liberalisation speedily done.
2. There was a competition to intensify as more imported products find easy access. Removal of QRs set to further accelerate import of all products.
3. Without corresponding internal liberalisation of domestic policies, much of benefits of WTO would have remained a mirage.
4. Only those businesses whether producing for domestic market or for foreign, which have international vision, would survive and grow.

Agreement 2: ***Agreement of Sanitary and Phytosanitary Measures (SPM).***

Objectives: The objective was almost the same as stated above except that MNT rule-countries can deny import from certain regions/ countries due to the fear of spread of pests/diseases.

Business Implications for India:
Companies exporting fresh/processed fruits/vegetables, juices, etc. must understand the mandatory standards. They have to follow developments such as FAO, Codex Ali-mentarius etc. which has serious implications for their business in agricultural/processed food and dairy products.

Agreement 3: *Rules applicable on Exports.*
Objectives: It allows export product to be relieved of indirect taxes (i.e. excise), prohibits direct tax benefits (e.g., Income Tax waivers on export earnings). It also allows countries to levy duties on exports for controlling it, if situation so demands.

Implications for India:

1. Exporting Community should have a right to demand from government such schemes that neutralise the incidence of indirect taxes on the export product. In absence of such schemes, Indian products will be at a serious disadvantages internationally.
2. The IT waiver on export earnings is temporary measure, and India is to phase it out by 2007 so could be the future of DEPB.

Agreement 4 : *Agreement on subsidies and countervailing Measures (SCM).*

Objectives:

1. It prohibits export subsidies ; allows permissible subsidies.
2. It requires developing countries to phase them out (with some exceptions) and to freeze their level and coverage during transnational period.

Business Implications for India:

1. During the transition period, importing countries can countervail 'subsidies' by increasing duties.
2. Export subsidies on import sensitive products (textiles, leather products etc.) can be maintained by importing countries.

Agreement 5 : *Agreement on Anti-dumping Measures (ADP).*
Objectives : It allows countries to take measures against imported, goods benefiting from unfair trade practices.

Business Implications for India :
Most important for domestic manufacturer. A number of sectors have been hurt by unfair import. Actions have been taken against such import in many cases. Mostly large units have been operating in these sectors.

Agreement 6 : *Trade Related Investment Measures (TRIMS) :*
Objective : It currently prohibits countries from importing five types of investment conditions on investors.

Business Implications:

It allows export performance requirement, majority stakes for locals etc. However, India's auto policy is in consistent with TRIMS.

Agreement 7: Agreement *on Textiles and Clothing.*

Objectives: Multi-fibre Agreements and other QR usually imposed by developed countries to be phased out by the year 2005 (in 4 phases).

Business Implications for India:

1. **Opportunity**: Important development for textiles/garment exports from India. Quotas

to be phased out. Real benefits have started accruing from 2012 onwards.

2. Countries imposing quota authorised to take safeguard measures. Punitive actions already taken against India in few cases.

Agreement 8: ***Agreement on Agriculture.***

Objectives:

1. The subsidies on agriculture to be removed and converted into tariffs, 36% reduction on tariffs by developed countries and 24% by developing countries.
2. Minimum market access in closed markets.

Business Implications for India:

1. Removal of distortions like high subsidies and QRs, will expand market for Indian agricultural products.
2. Internal reforms are a must if India is to take advantage of the agreement.

Agreement 9: ***Trade Related Intellectual Property Rights (TRIPS):***

Objectives:

1. It provides protection to IRRS as Patents Copyrights, Trademarks Geographical Indications and undisclosed information National and MFN Treatment.
2. Developing countries to implement this agreement within 5 years and LDCs in 11 years.

Business Implications for India :

1. Impact will be on all business. Main source of technology for SMEs reverse engineering will be difficult with the stricter IPR regime and in new regime ignorance of law will be of no excuse.
2. India's own R & D Institutions could reap benefits within India as well as abroad.

Agreement 10: ***Special Clause and Core Labour Standards (no agreement as yet).***

Objectives: To enforce core labour standards against exploitative labour practices.

Business Implications for India:

1. Boycott of products or sanctions on countries not following new standards.
2. Implications galore for sectors like textile/garments, leather, handicrafts, agro-food products, sports goods etc.

Agreement 11 : ***Trade and Environment (no agreement as yet).***

Objectives:

1. To check harmful effect of trade on environment.
2. To effect environment reform through influencing production and consumption modes.

Business Implications for India :

1. Already 20 multilateral agreements on environment are in force such as Based convention Montreal Protocol etc.
2. Specific impact on sectors like food processing fisheries/ seafood, chemicals and drugs, plastics etc.
3. General implications for packaging (cost of packaging to rise).
4. Exporters could be discriminated against because of stringent packaging standards in developed markets.

Agreement 12: ***Trade and Investment (No agreement as yet).***

Objective :

1. To create rights for investors in his country.
2. To minimize intervention of government in controlling foreign investment.

Business Implications for India:

1. The impact is the fear of 'crowding out' of entrepreneurs.
2. Profitable service enterprises could also be casualties as laundries, auto workshops, taxis, hotels, etc.

Agreement 13 : ***Trade and Competition Policy (no agreement as yet).***

Objective : To restrict the distortive business practices of public or private enterprises or trade cartels, monopolies etc.

Business Implications for India :

1. There is a definite impact on acquisitions and mergers.
2. Check on trade distorting activities of cartels will help SMES in India and in excessively controlled foreign markets.

Agreement 14 : ***Regional Trading Agreements (RTAs) and South Asian Preferential Trade Agreement (SAPTA).***

Objectives :

1. Article XXIV allows formation of Regional Trading Blocs as important exception to MFN Rule.
2. 100 RTAs in operation such as EU, NAFTA, ASEAN etc.

Business Implications for India :

1. Most RTAs like EU, NAFTA benefit the members at the expense of non-members.
2. Serious implications of SAPTA (South Asian Preferential Trade Agreement) and Free Trade Agreements signed with Sri Lanka would induce further competition.
3. Large companies (Foreign/Indian) setting up bases in these countries to take advantage of preferential trade and to export of India.

CONCLUSIONS:

Under the WTO, non-tariff barriers will have to be encountered and, therefore, India must quickly take decisions based on its national interests so as to minimize the adverse effects and maximize the opportunities arising out of GATT. India is one of the major beneficiaries of the tariff reduction package. As a part of the current reform process, India has already brought down its duty level to 40 per cent in the short run and 20 per cent in the medium term. In case of capital goods imports, even this is reduced to 10-15 per cent under certain conditions. The implications are that in the short run, gains may be unimpressive, but certainly it will pick up in the long run. The EC is proposing an agenda for the round that is relevant to the 21st century and that can facilitate the economic development of all the members of the WTO. Developing countries have to be convinced that a new round will protect their interests, and that they stand to gain more from a round than from the continuation of the status quo. WTO must achieve the goal of continued free economic expansion and a strengthened rule-based system, reflecting the new economic realities of today's globalized world. This will be good for India, good for the EU and good for the multilateral system from which we all benefit. India also has not lagged far behind and starting in 1991, set in motion a series of economic reforms, the basic thrust of which has been to establish the macro-economic balance and economic growth, regain external credit worthiness and prepare Indian economy to progress faster with the world economy. The changes that have taken place since 1991 onwards, are reflected in the current export-import policies. Benefits of these measures to the economy are already being felt. Underlying philosophy governing the changes has been to create an environment of greater freedom for private decision making, usher in a technology and quality revolution and improve substantially, India's export competitiveness. Economic liberalisation, though an essential pre-requisite for trade development and promotional campaigns, by itself is not sufficient to realise targeted objectives. At best, it creates an enabling environment in which India needs to have its strategies, both at macro and micro levels to emerge as an important global player in the arena of international trade.

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