

Impact Of World Trade Organization On Indian Economy

Qurat UI Ain

Student LLM, Chandigarh University (UILS) Mohali, Chandigarh (India)

ARTICLE DETAILS

Article History

Published Online: 15 April 2019

Keywords

WTO, GATT

ABSTRACT

World Trade Organization (WTO) is a worldwide global association managing the principles of exchange in trade between countries. The work of WTO moves around WTO agreements, negotiated and signed by the bulk of the world's trading nations and ratified in their parliaments. The objective is to help makers of products and enterprises, exporters, and merchants in directing their business. The World Trade Organization (WTO) Came into existence on January 1, 1995 that holds a great promise for the entire world economy in respect of international trade. This Organization administers the new global trade rules in a international trade. Peter Sutherland, the first Director General of WTO said, "The WTO binds nations in a global co-operative endeavor to raise income and create good jobs through fair and open trade." The issue of GATT/WTO New (January,1995) observed that the new global trade rules were achieved after seven years of negotiations among were more than 120 countries and through the WTO agreements and market access commitments; world income is expected to rise by over 800 billion dollar annual by the year 2008 and annual global trade.

1. Introduction

World Trade Organization (WTO), existing for supervise and liberalize world trade. The World Trade Organization is the replacement to the General Agreement on Tariffs and Trade(**GATT**), which was existed in 1947 with the belief that it would soon be return by a specialized agency of the United Nations (UN) to be called the *International Trade Organization (ITO)*. Although the ITO never transpire, the GATT proved extraordinary successful in liberalizing world trade. By the late 1980s there were calls for a stronger multilateral organization to monitor trade and settle the trade disputes. Following the achievement of the **Uruguay Round (1986–94)** of multilateral trade negotiations, the **WTO** existing on January 1, 1995¹.

The World Trade Organization (WTO) is an international institution that oversees the global trade rules between nations. The WTO is based on agreements signed by the majority of the world's trading nations. The main purpose of the WTO is to help administrator of goods and services, exporters, and importers, protect and manage their businesses, there are 164 member countries in the WTO and 23 "observer"countries. The WTO is actually an alternative dispute or mediation of international rules of trade between nations. However, the WTO has given power globalization with both positive and unfavorable effects. The WTO's efforts have growglobal trade expansion, althoughits side effect has led to a negative impact on local communities and human rights. The WTO gives a platform that grant member governments to negotiate and resolve trade issues with other members. The WTO's main focus is to supply open lines of transmission about trade between its members. For example, the WTO has soften trade hurdles and grow trade among member countries. On the other hand, it has also nourished trade hurdles when it create sense to do so in the global context. Therefore, the WTO aims to give negotiation mediation that benefits the global economy. Never

negotiation, mediation, or resolution would be possible without the foundational WTO agreements. These agreements agreed the legal ground of rules for international commerce that the WTO oversees.²

2. Objectives of WTO

The World Trade Organization has six essential objectives:

1. To appointed and apply rules for international trade
2. To give a council for negotiating and monitoring additionally trade liberalization
3. To solve and settle the trade disputes
4. To enlarge the transparency of decision-making actions
5. To combine with other big international economic institutions intricate in global economic management, and
6. To assist developing countries advantage from the global trading system.

Although distribute by the **GATT**, in practice these aims and objectives have been follow more completely by the WTO. For example, whereas the GATT concentrated almost completely on goods—though much of agriculture and textiles were prohibited—the WTO bound all goods, services, and intellectual property, as well as some investment policies. In inclusion, the permanent World Trade organisation Secretariat, which restore the improvised GATT Secretariat, which has nourished and composed mechanisms for discussing trade policies and settling disputes. Because various extra products are covered under the WTO as compared to GATT and because the number of member countries and the scope of their involvement has expand systematically and the mutually allotment of international trade of WTO members. and now

¹ What is WTO, available at:<https://www.britannica.com/topic/World-Trade-Organization> (last visited on April 1,2019)

² WTO, available at:<https://www.investopedia.com/terms/w/wto.asp> (last visited on April 1,2019)

more than 90 percent of the global are member of WTO—open attack to markets has grow largely.

The rules and regulations represents in both the GATT and the WTO distribute at least three reasons.

- First, they try to safeguard the attentiveness of small and weak countries. Who suffered the discriminatory trade practices of large and powerful countries. The Most-favoured-nation and national-treatment of WTO's articles specify that each WTO member must grant uniform market approach to all other members and both of the domestic and foreign suppliers must be treated uniformly.
- Second, the rules and regulations compulsory members to curb trade only between tariffs and to give market entry not less favorable than that describe in their program
- Third, the laws are create to help governments repel influence attempt by domestic interest groups pursue extra favors.

Although few special case to the rules and regulations have been create, their copy and existence in the core WTO agreements were deliberately to protect that the worst surplus would be avoided. By consequently conduct more confidence and expected to international markets, it was thought; the WTO would increase economy and decrease political tensions.³

3. Impact of WTO on Indian economy

India is also the member of WTO. There have been various benefits for India to participation in the multilateral trading system within WTO:

- a. With the help of WTO India improves its export marketability
- b. India participate in the global economy in a more systematic manner with the help of Lower tariff barriers and market entry...
- c. India in tracking of its growth and development of Transfer & Exchange of Technology, ideas etc
- d. Having market entrance has assisted in depletion of cost and time which would have otherwise mandatory for mutual trade negotiations.
- e. It is easier to resolve the trade dispute when a well defined and organised dispute settlement mechanism also construct

However, at that time WTO also present some important challenges to the Indian agriculture. Matter of permanent "**Peace Clause**" and plan to quantify food subsidy cap of 10% is yet to get illuminate. Needy agronomist are bound to be at the collect end who might be disadvantaged of the subsidies which they collect from the government in the form of **Minimum Support Price (MSP)**. As long as India has newly approved the **Trade Facilitation Agreement**. now they can't oppose market access to the other countries. It might show harmful to the farmers for a specific area it would be a breaking task for the Indian farmers to compete once the foreign player enters the domestic market completely. Indian farmers lack of performance in terms of production, quality, technology,

³ What is WTO, available at: <https://www.britannica.com/topic/World-Trade-Organization> (last visited on April 1, 2019)

manufacturing cost etc.⁴ **Brazil, India, and South Africa**, have initiatives led to the acquisition of a Declaration on **TRIPS** and public health by the **WTO**. This declaration admit the priority of the countries' right to permit compulsory licenses and the freedom to control the grounds on which such licenses. what constitutes a national emergency or further situations of maximum necessity for the purpose of implementing the TRIPS agreement⁵

1. **INCREASE IN EXPORT EARNINGS:** With the help of WTO India has Increase in export earnings like growth in good exports and growth in-service exports :

• Growth in goodsexports:

The found of the WTO has increased the exports of developing countries , because of depletion in tariff and non-tariff trade barriers.

India's goods exports have improve from 32 billion us \$ (1995) to 185 billion u \$ (2008-09).

• Growth in service exports:

India's export services improves from 5 billion us \$ (1995) to 102 billion us \$ (2008-09)

(software services accounted) for 45% of India's service exports).

WTO launch the GATS (general Agreement on Trade in Services) that proved beneficial for countries like India.

Agricultural exports: India wishes to benefit from this in the form of higher export earnings from agriculture because depletion of trade hurdles and domestic subsidies lift the price of agricultural products in international market,

Textiles and Clothing: **MFA** will help the developing countries like India to improve the export of textiles and clothing

2. *Foreign Direct Investment:* With the help of TRIMS agreement, restrictions on foreign investment have been remove by the member nations of the WTO. This has profit for developing countries by way of foreign direct investment, It is expected that fair trade conditions will be generated, due to rules and regulations related to practices like anti-dumping, subsidies and countervailing measure, safeguards and dispute settlement.⁶

4. Impact Of Indian Agriculture

WTO member countries are following some obligation on domestic support to their agriculture. However, there are many issues under the **AOA** which are considered against the interests of developing countries like **India**.

- Firstly, the lowest entrance for import of primary goods break the basic rule of promoting free trade under WTO agreement.
- Secondly, misrepresentation appear from imbalance in domestic subsidy discipline due to different base positions. The developed countries are slowly

⁴ What is the impact of WTO on the Indian economy, available at: <https://www.quora.com/What-is-the-impact-of-WTO-on-the-Indian-economy> (last visited on April 1, 2019)

⁵ WTO and Indian economy, available at: <https://www.thehindu.com/books/WTO-and-Indian-economy/article15777774.ece> (last visited on April 2, 2019)

⁶ Impact of WTO on Indian economy, available at: <https://www.scribd.com/document/173588646/Impact-of-the-World-Trade-Organisation-on-the-Indian-Economy> (last visited on April 2, 2019)

subsidized countries and are permitted to keep up to 80 per cent of their subsidies but developing countries can not more than 10 percent of the total value of agricultural production. Hence, the domestic support by developed countries needs to be reduced substantially in absolute terms.

- Thirdly, India has held low income countries, market access and domestic regulations should be such that their food requirements are met from domestic sources. The uncomfortable international market cannot communicate to the domestic economy and can affect the prices of food grains and food allowance of the poor.
- Fourthly, the developing countries face very hurdles like highest tariff rates which include the administrative agricultural staple foods, cereals, meat, sugar, milk, butter, cheese as well as tobacco products and cotton.

Indian schemes have, well received and endorsed by most of the developing countries as well as few developed countries. However, it is important that steps are taken to harvest benefits of a liberalized trade authority along with increased effectiveness arising from hygienic and phytosanitary uniform. Efficiency would be much intensified with increased investment and land reforms. Besides, changes of agricultural production into agro-foods, horticulture and floriculture products and farm products with international quality standards could help to increase exports from this sector.

- i. **Green Box Support:** It is given on items which have minimum impact on trade, e.g., pest and disease control, market intelligence,.
- ii. **Blue Box Support:** It is product-limiting subsidy and concern mainly to the developed countries. It is excepted from depletion deduction under WTO.
- iii. **Special and Differential Treatment Box Support:** It includes investment subsidy to agricultural sector for holding development work like land leveling, shallow wells etc.⁷

5. Negative Impact Of WTO On Indian Economy

1. It asks to cut down whole farmer subsidies liable for fertilizers, government schemes etc. which proceed to affect all minor farmers.
2. Put an end to food security schemes like ration system can affect millions living below poverty line.
3. chop subsidies given to LPG can result in more increase in their prices
4. Free trade can kill all small and medium local business they will not be able to compete with **MNC** in their sectors.
5. Medicine prices can become excessive for poor⁸.

6. Conclusion

⁷ Impact of WTO on Indian agriculture, available at https://www.researchgate.net/publication/216827427_IMPACT_OF_WTO_ON_INDIAN_AGRICULTURE_PERFORMANCE_AND_PROSPECTS (last visited on April 2, 2019)

⁸ Negative impact of WTO, available at: <https://www.quora.com/What-are-the-negative-and-positive-impacts-of-the-WTO-on-developing-nations-especially-India> (last visited on April 3, 2019)

The finally, WTO secure nations in a global co-operative try to raise income and create quality jobs between honest and open trade. India improve its export competitiveness with the help of WTO. India to integrate and participate in the global economy in a more efficient manner with the help of lower tariff barriers. Transfer & Exchange of Technology, has been huge help for India in tracking of its growth and development. Indian agricultural products work a relaxation in the high tariffs and subsidies block in developed countries. A big growth in agriculture consequently needs a complete renovate of agricultural policy with reassemble towards rapid change of this sector. A continuous correction is need in the encouragement shape for agriculture so that the unduly high **Minimum Supports Prices** do not continue to deform resource allocation in agriculture. The results of Technology Mission and the market intervention operations by the public agencies. A positive quality of the growth in oilseeds production has been that attractiveness happen in the agriculturally backward areas of states. This suggests that there survives some opportunity for raising agricultural production along improvements in technical efficiency, beyond utilize to new improved technologies. This will safeguard that farmers change towards high value added segments of agriculture in response to the new demand structure.

Reference

1. What is WTO, available at: <https://www.britannica.com/topic/World-Trade-Organization> (last visited on April 1, 2019)
2. WTO, available at: <https://www.investopedia.com/terms/w/wto.asp> (last visited on April 1, 2019)
3. What is WTO, available at: <https://www.britannica.com/topic/World-Trade-Organization> (last visited on April 1, 2019)
4. What is the impact of WTO on the Indian economy, available at: <https://www.quora.com/What-is-the-impact-of-WTO-on-the-Indian-economy> (last visited on April 1, 2019)
5. WTO and Indian economy, available at: <https://www.thehindu.com/books/WTO-and-Indian-economy/article15777774.ece> (last visited on April 2, 2019)
6. Impact of WTO on Indian economy, available at: <https://www.scribd.com/document/173588646/Impact-of-the-World-Trade-Organisation-on-the-Indian-Economy> (last visited on April 2, 2019)
7. Impact of WTO on Indian agriculture, available at: https://www.researchgate.net/publication/216827427_IMPACT_OF_WTO_ON_INDIAN_AGRICULTURE_PERFORMANCE_AND_PROSPECTS (last visited on April 2, 2019)
8. Negative impact of WTO, available at: <https://www.quora.com/What-are-the-negative-and-positive-impacts-of-the-WTO-on-developing-nations-especially-India> (last visited on April 3, 2019)