

Study of Role of WTO in India's International Trade: Impact and Recommendations

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ABSTRACT

The purpose of the present paper is to examine the Impact of World Trade Organization on Foreign Trade in India. On January 1, 1995 when World Trade Organization (WTO) came into existence the entire economy of the world affects in respect of international trade because WTO framed the new global trade rules for international trade. This study is concerned with implications of the WTO with reference to India. How much trade has been increased by India after the implementation of the WTO. It concluded that trade of the India has not been increased up to the expectations that results in to low gaining of benefits from world trade.

1. Introduction

World Trade Organization (WTO) which was established in 1995, has become an organization to establish strong trade relations among the member countries. "The WTO is rightly as referred as the legal and institutional foundation of multi-lateral trading system..... It is the organization that succeeds the General Agreement of tariffs and Trade (GATT)" The WTO since its inception laid great impact on trade relationship among the member countries. India too became part of this organization in 1995 by virtue of being member of GATT.

Different scholars have different opinion on impact of World Trade Organization on Foreign Trade in India. A brief analysis on it has been done here under:

According to Dasgupta (2004), result of trade liberalization in 1991 and the establishment of World Trade Organization in January 1995 many questions have been raised on the present and future development possibilities of the developing countries. The world trade is in fact not based on free and competitive conditions in the world market rather world market is trade-distorting and Sidhu and Kaur (2004), revealed that India's external sector has exhibited a sharp transformation since 1991 when India witnessed a severe balance of payments crisis. It is a fact that there has been a substantial and significant change in the commodity composition and the direction of India's merchandise exports as well imports in the post-liberalization and post-WTO periods but side by side there has been a widening deficit in the balance of trade. In addition to this Chawla (2003) says that India being a founder member of GATT (1947) and the WTO (1995) has been trying to extend trade and economic relations at the global level. To improve its trade relations India did actively participate in various rounds of trade negotiations. Not only this, it had utilized the financial resources of international financial institutions for over six decades. India has been facing several trade restrictions from most of the industrially advanced countries. The restrictions India does face include quantitative restrictions imposed by developed countries unrealistic standards, testing, leveling and certification, export subsidies, barriers on services, government procurement regimes and other barriers. In the opinion of Anil Bhumali and Satrajit Dutta (2006), the WTO is wholly controlled by a few industrially advanced nations (e.g., America), WTO provisions are thus always manipulated by the developed world.

The wealthy countries of developed world in fact dominate the whole world economic system. Many of the developing countries are locked in a vicious cycle of debt, rising population, poverty and unemployment. The developed countries of the world which possess only the ¼th of the world population have 80 percent of the world's manufacturing income. According to Romesh Chand (2002), In the WTO period global agricultural exports have declined in value terms, whereas, quantity of export has grown. Thus, global trade in post WTO period has turned out to be favourable to consumers of agricultural products and adverse to agricultural producers. Similarly, WTO has been favourable to net importing countries and unfavourable to net exporters of agricultural products. The decline in value of agricultural exports has been higher in the case of group of developed countries compared to the developing countries. Devroy, Bibek and Kaushik P.D (1999), In this study 'Indian Industries Guide to WTO' discussed the impact of WTO's regulations on Indian Agriculture. The authors consider Agro-food sector as industry. The study deals with the subjects like 'Myths and Realities'. 'Aggregate measurement of support' and 'Green box policies, 'Water measures and their implications relating to Indian Agriculture'. The authors have estimated that agriculture exports by the year 2005 will be around US\$ 300 billion worldwide.. WTO regulations will cover about 90% of these exports will have to face greater competition in International Market. According to him the policy –Makers have to take adequate policy measures so as to protect and face Indian agriculture from challenges brought before it by WTO.

2. International Trade of India Pre WTO Era

Prior to becoming member of WTO India's foreign trade appeared quite sluggish. For instance in 1949-50 imports of India valued at Rs.617 crores and exports valued at Rs.485 crores. In 1992- 93 imports valued at Rs.63,375 crores and exports were noted at Rs.53,688 crores while in 1993- 94 imports went up to Rs.73101 crores and exports were noted at Rs.69,751crores in 1993-94. The pattern of India's exports prior to WTO reveals the Common Wealth countries (An organization of countries that used to be under the political control of United Kingdom) accounted at 54% of total exports during the pre-war period. United Kingdom (UK) held the most prominent position accounting 34% of exports from India. Next

in importance were Japan (9%) and USA (8%) France, Italy, the Netherlands, Belgium and Germany together accounted of about 15% of India's exports. During the post-war periods, trade with Japan and Germany completely disappeared. Besides this, war cut off European markets especially UK and this reduced India's volume of exports, But after becoming part of WTO there was sudden spurt in imports which were noted at Rs.3,33,907 crores and value of exports went up to Rs. 2,42,435 crores in 2004-05 respectively. It is important to note here that the structure of trade has also undergone change.

Earlier the major items of imports were food grains, consumer and capital goods but now India is in a position to export along with food items spices, rice, and some other non-traditional items also. A look at the referred data also shows that with the formation of WTO, India's value of exports, though, has gone up but this increase in exports is certainly less as compared to the increase in imports, An important feature notable here is that where India's trade with OECD (Organization for Economic Cooperation and Development) reduced from 54% in 1990-91 to 46% in 2003-04 with Europe it reduced from 18% in 1990-91 to 2% in 2003-04 on the one hand, on the other hand trade with other developing and least developed countries (Third World Countries) had different picture. For instance trade with the such OPEC (The Organization of Petroleum Exporting Countries) trade increased from 6% in 1990-91 to 15% in 2003-04 and other developing and least developed countries (including Asia, Africa, Latin America and Caribbean Countries) increased from 25% in 1990-91 to 37% during 2003-04. In pre WTO period India's foreign trade was confined too few countries such as Russia, UK, USA, India's neighbour countries etc. but in the post WTO period India's trade extend to most of the WTO member countries such as Congo, Mongolia, Niger Nicaragua, Rhodesia etc. The USA was the major trade partner in 2003-04 but maximum of imports were from European Union (17%) and Asian countries (17.2 %) of the total imports in 2003-04. While only 7 items of exports share more than 5% in the world exports. These included; rice, tea and mate, spices, iron ore, concentrate medicinal and pharmaceuticals products, manufacturing of leather, pearls and precious and semi precious stones.

3. International trade of India Post WTO

Exports during December, 2014 were valued at US \$ 25397.74 million (Rs.159378.46 crore) and Imports during December, 2014 were valued at US \$ 34832.56 million (Rs.218584.77 crore) In 2013-14, there was good growth of exports to North America (9.1 per cent) and Africa (7.2 per cent), low growth to Europe (4 per cent) and Asia (1.7 per cent), and negative growth to Latin America (-20 per cent) and the CIS and Baltics (-4.7 per cent). While export growth to the US was 8.3 per cent, it was just 2.2 per cent to the EU 27 as a result of the slowdown in the EU. Exports to the UAE fell to a negative -16 per cent. Exports to Asia still constitute around 50 per cent of India's exports. While India's exports to ASEAN (Association of South East Asian Nations) grew by a small 0.5 per cent, exports to South Asia grew robustly with high growths to all the four major SAARC (South Asian Association for Regional Cooperation) countries, Sri Lanka, Bangladesh, Nepal and Pakistan, besides Bhutan. There was also good export growth to China and Japan at 9.5 per cent and 11.7 per

cent respectively. Region-wise, imports from all five regions declined, with the highest decline of-19.3 per cent in imports from Europe. India's trade at 58 per cent in 2013-14 was more or less the same as in earlier years. The top three trading partners of India are China, the USA, and the UAE, with the top slot shifting between the three.

Export-import ratios reflecting bilateral trade balance show that India had bilateral trade surplus with four countries, namely the USA, UAE, Singapore, and Hong Kong, in 2013-14 with high increase in the export-import ratio with the USA. India's bilateral trade deficit with Switzerland declined sharply from US\$ 31.1 billion in 2012-13 to US\$ 17.6 billion in 2013-14 owing to a fall in gold imports. India has high and rising bilateral trade deficit with China, which however fell by 6.6 per cent in 2013-14. Given the growing importance of these two Asian giants, India needs to formulate a comprehensive trade strategy for China keeping in view India's export potential in China. It shows that Indian trade in absolute terms has risen. The position of exports in GDP ratio has improved. But at the same time imports as compared to exports has increased rapidly. This indicates that trade deficit also rose sharply. Though comparatively India's exports position has improved yet India's balance of trade position has remained deficit and this certainly is not a appreciable when an attempt is made to make India economically viable and strong. This is certainly a matter of grave concern for the country as earlier also and right from 1947-48 to 2013-14, except for the two years 1972-73 and 1976-77 India's balance of payment (BOP) position remained deficit and was considered a very unhealthy symptom but after becoming member of WTO the same deficit has not decrease but has enormously increased.

It is significant to point out here after becoming a part of WTO, India' trade links with other countries has improved particularly with less developed countries which means that in absolute terms India's trade had improved as well its trade link have widened. Perhaps this has compensated the deficit, which apparently does not seem a point of controversy at the first look. India's should not confine to have trade links with less develop countries only but also improve trade with develop and developing economies.

4. Recommendations

Following recommendations can be made to made our economy more competitive, open and developed one and a prosperous economy through Foreign Trade and to make WTO to serve the Third 'world Countries (TWCs) effectively, with reference to TWCs like India.

- 1) Domestic consumption of exportable must be curtailed.
- 2) Domestic inflation must be kept under check.
- 3) Export duties must be reduced and procedures must be simplified.
- 4) WTO must pressurize Most Developed Countries (MDCs) for cutting Tariff and NonTariff Barriers are still higher.
- 5) MDCs have initiated import-substitution policy for exports of Third world countries like India.
- 6) The IMF-WB (International Monetary Fund-World Bank) formula of openness for globalization must be with right to direction in the interest of the country.

- 7) Export industries must be modernized and equipped with improved technology.
- 8) Terms of trade for primary products must be improved. For this, primary products must be made qualitative and internationally competitive.
- 9) While implementing TRIMs which provide for equal treatment to foreign companies. The Government of respective countries must be given right to regulate Foreign Direct Investment, otherwise MNCs would capture highly priority areas
- 10) To protect the interests of the farmers of developing countries like India. WTO must permit members of these countries certain degree of protection as moderately higher tariffs.
- 11) Under GATS, developed countries are securing control in services like shipping, transport, communication, health, education, finance and media etc where developing countries have comparative advantage in skilled and unskilled labour. But MDCs have blocked the free flow of labour by stringent immigration laws. This trend must not be allowed by WTO.
- 12) The structure of the WTO must be made equitable so that developed countries could not exert pressure over developing countries.
- 13) WTO agreement on agriculture prohibits any new subsidies and does not address the problem of food insecurity. WTO assumes global surpluses of food grains. But global surpluses do not ensure availability of same for poor countries and may create balance of payment problems and food problem as PL480 in India, may be used as a political weapon. Thus, AOA needs to be revised in the interest of developing countries so as to allow the subsidies and the issue of food security must be addressed adequately.
- 14) The most disturbing aspect of the functioning of WTO is the dispute settlement mechanism in which only the strong parties to dispute have say. The weaker either remains salient or loose. This is because WTO lacks any mechanism for collective action against the erring members. Only the weapon is retaliation, which the partners of equal footing can use. This issue must be addressed.
- 15) WTO aims at Fair Trade. However as the USA's Trade Laws 301 to 310 are not consistent, yet WTO has allowed them. This violates the objective of fair trade. This malady needs to be remedied.
- 16) Two sensitive issues are relating to labour standards and environment. As labour is cheap in developing countries like India. Thus products are also cheap and demanded highly in developed countries e.g. Textile. But being threatened by imports, developed countries restrict these imports in the plea that using women and children has produced these products. Thus the issue of child labour. Another issue is environment pollution. Actually 2/3rd of environment has been degraded by developed countries but they are putting blame on developing countries thus asking them to pay for this because they are poor. This issue must be addressed by WTO. It is not that child labour is prevalent only in India. It is also in USA, UK, Italy, Spain and Portugal. How blacks are maltreated in USA?
- 17) Doha declaration agreed on TRIPS and public health with a right to public health and a clause to medicines for all. However this objective yet has not been achieved. This must be done.
- 18) WTO must pressurize developed countries especially the USA and EU to cut their agricultural subsidies.
- 19) MDCs must be pressed for technology transfer to promote speedy and self-reliant development of LDCs.
- 20) The agreement on technical barriers to trade calls for international standards and certification to ensure quality and disease free exportable. However developed countries are using this agreement to restrict exports of developing countries. The WTO must ensure that the provision is not misused.
- 21) Expenditure on Research and development must be increased by TWCs like India.
- 22) The developed countries must implement Integrated Programme for Commodities speedily and create adequate common fund to provide adequate price support to commodities of LDCs in markets demanded by developing countries. Also these price supports must be extended to all primary products.
- 23) WTO must encourage proceeding of raw material for exports in LDCs.
- 24) Among imports, the major items causing drain of resources is petroleum, oil and lubricants given the limited proven reserves of oil, the strategy calls for:
 - a. Accelerated exploitation of domestic conventional energy resources, oil, natural gas, coal, hydro nuclear power
 - b. Management of oil demand
 - c. Substitution of natural gas for oil products
 - d. Energy conservation
 - e. Exploitation of renewable resources like forestry, biogas specially to meet the energy requirements of rural communities
 - f. Intensification of research and development in emerging energy technologies
- 25) LDCs must be encouraged to unite and use all types of cooperation in their struggle for survival in the new WTO regime.
- 26) WTO must cooperate with the International Monetary Fund and World Bank for upliftment and development of backward countries of the third world. So that they could also participate in International Trade. The heavily indebted countries must be free from international debt and development aid in the form of grants must be extended to such countries.
- 27) In cooperation with Food and Agriculture Organization the WTO must ensure that all the poor members of the Third world have access to food and adequate purchasing power with them. So food crises don't occur.
- 28) WTO must ensure that within all members each and every citizen of the respective member countries get adequate food, safe drinking water, proper shelter, access to health and medical facilities, participations in decision making and also no gender bias and no child in hazardous occupation etc.

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