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DECLARATION

TITLE OF PROJECT REPORT:

ANALYTICAL STUDY OF THE IMPACT OF WTO ON INDIAN ECONOMY: A DWINDLING EXPANSION OF MAJOR SECTORS AND ITS EFFECT ON INDIAN CORPORATE SECTOR.

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CERTIFICATE

This is to certify that the research work entitled “ **Analytical study of the impact of WTO on the Indian Economy: A dwindling expansion of major sectors and its effect on Indian corporate sector.**” Work done by **Shaista Rehman Tantray**, student of Babu Banarasi Das University Lukhnow, under my guidance and supervision for the partial fulfilment of the requirement for the degree of (LLM) in Babu Banarasi Das University, Lukhnow, Uttar Pradesh. According to the best of my knowledge, he/she has fulfilled all the necessary requirements prescribed under the university guidelines with regard to the submission of this dissertation.

I wish her/him success in life

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ABBREVIATIONS

AOA	:	Agreement on Agriculture
ATC	:	Agreement on Textile and Clothing
AIDS	:	Acquired Immune Deficiency Syndrome
A/An/R/I	:	Area planted, Animal numbers, Receipts, Income
BOP	:	Balance of Payments
CAP	:	Common Agriculture Policy
CPs	:	Contracting Parties
CAGR	:	Compound annual growth rate
DDA	:	Doha Development Agenda
DSB	:	Dispute Settlement Body
EU	:	European Union
ECOSOC	:	Economic and Social Council
EC	:	European Commission
FOGS	:	Functioning of GATT system
FTAs	:	Free Trade Areas
GATT	:	General Agreement on Tariffs and Trade
GDP	:	Gross Domestic Product
G & s	:	Good and Services
GATS	:	General Agreement on Trade in Services
GOI	:	Government of India
HDR	:	Human Development Report
ITO	:	International Trade Organization
ICITO	:	Interim Commission for the International Trade Organization
IMF	:	International Monetary Fund
ILO	:	International Labour Organization
ITCB	:	International Textile and Clothing Bureau
IT	:	Information Technology
LDCs	:	Least Developed Countries
LTA	:	Long Term Agreement
MFN	:	Most Favoured Nation

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CHAPTER 1

INTRODUCTION

The World Trade Organization (WTO) is solely the only global international organization which deals with the rules of trade between nations, i.e. the rules to govern the business of trade between the member nations of this organization. It's the place where member government go and try to sort out the problems of trade they face with other competing nations or governments. This organization came into effect on 1st January, 1995 with the support of 85 founding members, India being one of them. They deal with: agriculture, textiles and clothing, banking, telecommunications, government purchases, industrial standards and product safety, food sanitation regulations, intellectual property, and much more. But there are number of fundamental principles which are

Foundation of the multilateral trading system (MTS). They hurl the principles of liberalization, and the exceptions which were permitted. They want government to make their policies of trade transparent by notifying the WTO about the laws in force and measures adopted, and through regular reports by the secretariat on countries' trade policies. The WTO oversees about 60 different agreements which have the status of international legal text and consists of 29 individual legal texts. By promoting the "free trade" agenda of multinational corporations above the interests of local communities, working families, and the environment, the WTO has systematically undermined democracy around the world. It is clear that the W.T.O provides opportunities for countries to grow and realize their export potentials, with appropriate domestic policies in place.

FUNDAMENTAL PRINCIPLES OF GATT

GATT a treaty that was collectively administered by contracting parties. The representatives of contracting parties used to meet on different occasion time to time to discuss matters of common interest and to give green light to the provisions of the agreement requiring joint action.

The text of the GATT Agreement was complicated, but the following were regarded as its four fundamental principles:

- (i) Carrying of trade on non-discriminatory basis.
- (ii) Protection of domestic industries only via means of custom tariffs and not through other measures.
- (iii) The aims of consultations should be the avoidance of damage to members interests.

- (iv) GATT served as a framework within which negotiations could be held to reduce tariffs and other trade barriers.

Functions of The WTO

The following are the functions of the WTO

- i) Facilitate the management of the Multilateral Trade Agreements (MTAs) and the Plurilateral Trade Agreements (PTAs) for the fulfillment of their obligations.
- (ii) All Multilateral Trade Relations concerning the above Agreements are negotiated by the Members in this forum.
- (iii) The WTO also facilitates implementation of the results of the negotiations as decided by the Ministerial Conference.
- (iv) It administers the Understanding on Rules and Procedures Governing the Settlement of Disputes, forming part of the Agreements (MTAs and PTAs).
- (v) The WTO is responsible for administration of the Trade Policy Review Mechanisms (TPRM) forming part of the Agreement.
- (vi) It is also the organ for establishing co-ordination with other Wings of the UNO such as the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD) and its affiliated agencies.

Nature of WTO

Organizational Structure of WTO

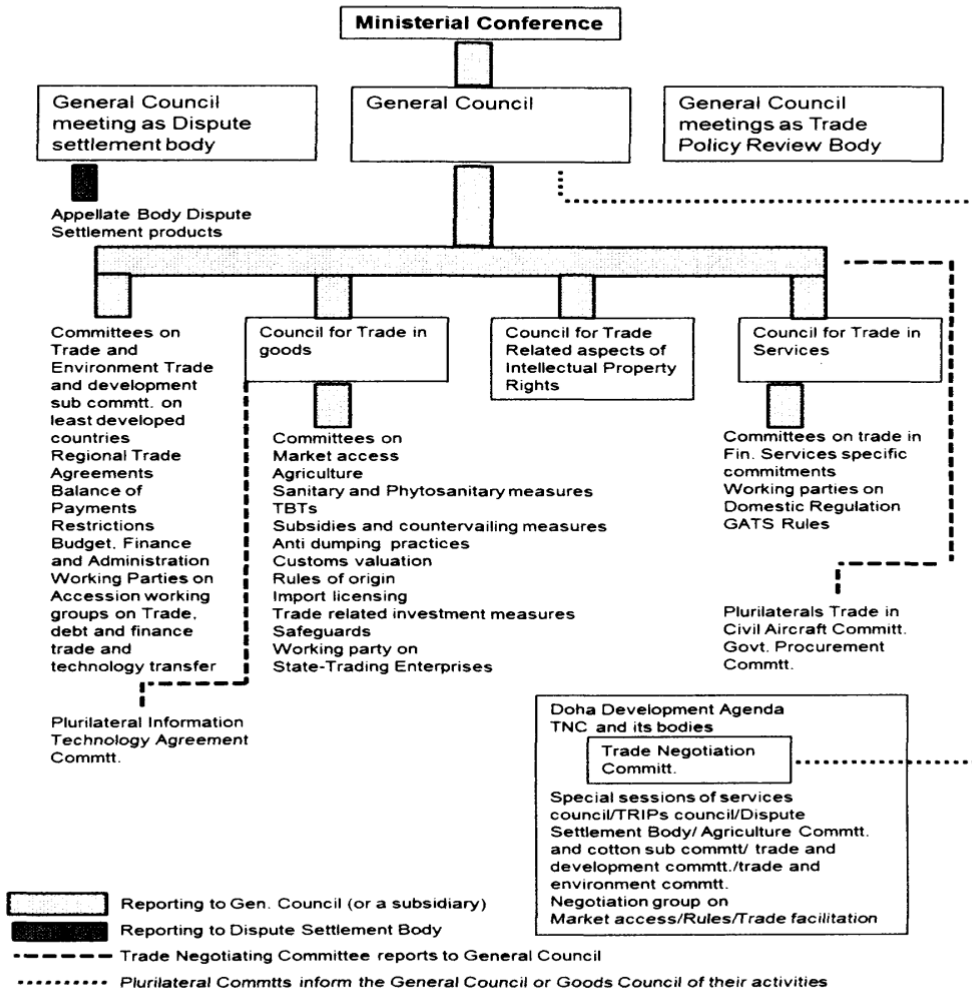
The institutional structure of WTO is set out in Article IV of WTO Agreement. At the highest level of WTO institutional structure is the Ministerial Conference. Article IV: 1 of WTO Agreement states, "There shall be a ministerial conference composed of representatives of all the members, who shall meet at once every two years. The ministerial conference shall carry out the functions of the WTO and take action necessary to this effect. The ministerial conference shall have the authority to take decisions on all matters under any of the multilateral agreements, if so required by members"¹. Since the formation of WTO, seven ministerial conferences have been convened till date. At the next level is General council. The General council comprises of representatives from all member governments. It has the authority to act on behalf of the ministerial conference, General council acts in two forms namely, the Dispute

¹ Bhaumik, T. K., The WTO, A Discordant o'cchesVca!, sage publication, New Delhi, 2006, pp-33.

Settlement body (DSB) overseeing and supervising the dispute settlement procedures and the Trade Policy Review Body (TPRB) scrutinizing the trade policies of WTO members.

settlement procedures and the Trade Policy Review Body (TPRB) scrutinizing the trade policies of WTO members.

Fig: 1.2.1
Organizational Structure of WTO



Source: World Trade Organization, Geneva

In the intervals between meetings of Ministerial Conference, the general council conducts the functions of Ministerial conference. At the third level is the council for trade in goods, council for trade related aspects of intellectual property and council for trade in services. The council reports to General Council. Under the councils are specialized committees and working parties as shown in figure 1. All WTO members may participate in all councils, committees except appellate body. Dispute settlement panels and plurilateral committees. The structure of WTO is illustrated in figure 1.

Functions of WTO

Article III of the WTO Agreement specifies the functions of WTO. The basic function of WTO is to help trade flows smoothly, freely, fairly and predictably across the countries. Specifically the main functions of WTO are as follows:

To facilitate the implementation, administration and operation of the WTO Agreements.

- To act as a forum for trade negotiations.
- To administer trade disputes among the members.
- To review national trade policies through TPRM.
- To cooperate with other international organizations such as IMF, World Bank (WB) etc.
- To assist developing countries in trade policy issues, through technical assistance.

Principles of Multilateral Trading System

The WTO is a multilateral trading system. The reason behind the word multilateral instead of global or world is that most of the major trading nations are the members of WTO but not all. The WTO Agreements are very complex and lengthy legal texts covering agriculture, textile and clothing, intellectual property, services and much more. Multilateral trading system has a number of fundamental principles. A brief discussion of some important principles is as follows.

Non Discrimination

Non Discrimination has two major components: the Most Favoured - Nations (MFN) rule and the national treatment principle. The MFN rule requires that product made in one member

country be treated no less favourably than a "like" (very similar) good that originates in any other country. Thus if the best treatment granted to a trading partner supplying a specific product is a five percent tariff, this rate must be applied immediately and unconditionally to imports of this good originating in all WTO members"². This principle is so important that it is the first article of the General Agreement on Tariffs and Trade (GATT), which govern trade in goods. MFN is also a priority in the General Agreement on Trade in Services (GATS) (article2) and the Agreement on Trade Relate Aspects of Intellectual Property Rights (TRIPS) (Article 4)³

National treatment requires that foreign goods, once they have satisfied whatever border measures are applied, be treated no less favourably, in terms of internal (indirect taxation) than like or directly competitive domestically produced goods (Article III GATT). That is, goods of foreign origin circulating in the country must be subjects to taxes, charges and regulations that are no less favourable than those that apply to similar goods of domestic origin^^. In simple words national treatment means imported and locally produced goods should be treated equally after the foreign goods have entered the home market. Thus charging customs duty on foreign goods is not a violation of nation treatment.

² Hoekman, Bernard, Aaditya Mattoo, and Philip English, 'Development, Trade and the WTO, A Handbook', the World Bank, Washington, D.C, .2002, pp-42.

³ World Trade Organization, Geneva, (www.wto.org)/understanding the WTO, pp-12.

OBJECTIVES

Since the finalization of the URAA (15 March 1994) and inception of WTO on 1 January, 1995, a hot debate is on concerning their implications on agriculture, more so for developing countries. This debate is inconclusive till date (January, 2011). In such a scenario, the AoA seems to be in trouble, at least in the near future there seems to be no solution. This problem is so critical for the developing nations because agriculture sector is heavily protected in OECD countries.

On the one hand developing nations are being pressurized through various negotiations and agreements to lower the subsidies; on the other hand the developed countries are not ready to give in to demand of developing nations to curtail the subsidies in their economies. In India, there are more than 106 million farm families and contribution of agriculture to GDP is 20 percent. Agriculture is the main driving force for the economy as highlighted in World Development Report (2008). Keeping this in mind, the issues of agriculture in WTO regime need to be discussed in detail so that the livelihood of more than half of the population is not challenged. Hence the present study “implication of WTO on Indian Agriculture-issues and challenges” evaluates the nature of agriculture in India, trends there in, whether they are WTO compatible or not and what can the future course of action be which is compatible with WTO norms without compromising on the agrarian set-up of the country. With manifold objectives like helping trade flow smoothly, freely, fairly and predictably it has become capable of organizing trade and commerce over the globe through the mantra of liberalization, privatization and globalization. The specific objective behind undertaking this thesis is to understand the WTO and the interest of the Indian agriculture. The thesis also aims to study extensively WTO with the backdrop of Indian economy and the various helping hand and all such related aspects and issues so connected. It is stepping forward with objectives like:

1. To examine issues related to the WTO's Agreement on Agriculture and other agreements like TRIPS, SPS and TBT etc. from India's Point of view.
2. To analyse the benefits get by Indian farmers from WTO.
3. To identify major problems faced by Indian farmers.
4. To suggest various policy measures to make the agriculture sector more vibrant, strong and sustainable.
5. Makes a few strategies for the revival of Indian agricultural sector to ensure balanced economic development of the nation apart from making it globally competitive. And suggest various policy measures to make the agriculture sector more vibrant, strong and sustainable.

LIMITATIONS OF THE STUDY

The present study “Implication of WTO on Indian Agriculture- Issues and Challenges-” attempts to fill some of the existing research gaps in the existing literature on the theme. However the present study will face some limitation. At the end, it may be said that although the study suffers from the above mentioned limitations, yet it paves the way for further research in the area. It is surely a beginning but not an end in the direction. The study has to be limited in its scope due to lack of adequate information and other resources. However following is the main limitations of this study. They are:

1. Lack of sufficient literature and information on this study field is the major limitation of the study.
2. Some studies measure only qualitative impact
3. Being a student time and resources are constraints.
4. Considering reliance on secondary sources, the research was further limited by the availability of literature and the information contained therein.

RESEARCH METHODOLOGY

Though various methods of research are available for the data collection but the final decision about the choice of a method depends upon the nature of the problem selected and the kind of data necessary for its objectives. Generally, the following methods are used in the field of research:

HYPOTHESES OF THE STUDY

The following hypotheses have been taken for the present study.

- (i) AOA of the WTO has enhanced world trade in agriculture.
- (ii) Indian agriculture is highly subsidized.
- (iii) AOA of the WTO obligates India to abolish its agricultural supports and protective measures.
- (iv) Indian agriculture cannot survive in a free import regime.
- (v) TRIPS regime will jeopardize the accessibility of good quality seeds for Indian farmers.
- (vi) SPS measures are hurdles in the way India's agricultural exports.

SCOPE OF THE STUDY

This study covers the activities related to Indian agricultural trade particularly from 1990 to 2019. The import and export related data is focused to describe the impact of World Trade Organization's Agreement on Agriculture (AoA) on Indian agriculture trade. The

performance parameters related to agricultural trade are used to describe the impact of AoA upon Indian agriculture. The secondary data is taken in relation to world trade in agriculture in terms of WTO phases, import and export growth rates, import and export items, and the impact of AoA's provisions upon agricultural trade activities.

CHAPTER – 2

REVIEW OF LITERATURE

The past experiences are must to have an introspective view. It provides a firsthand knowledge to guide the course of the prospective research. In this chapter an attempt has been made to present a review of literature in the area of WTO and its impact on Indian economy. A lot of work has been done by various research scholars in aforesaid area. A few of the prominent studies related to present study have been reviewed to establish the research gap and need of study.

According to Martin (1995)⁴ the Uruguay Round (UR) liberalization benefits have been estimated by various studies. The WTO moderating team (Francois, McDonald and Nordstrom) estimated benefits come to \$ 94 billion a year in 1992 U.S. dollars when induced increases in the capital stock are incorporated, the gains rise to \$ 214 billion a year or 0.94 per cent of global output. Almost half of this gain is estimated to accrue to developing countries, where the gains constitute a higher percentage of GDP (about 2 per cent). One World Bank team (Harrison, Rutherford and Tarr) estimated the income gains of \$ 171 billion or 0.74 per cent of global GDP, with roughly a third to developing countries. Another World Bank team (Hartel and other's) estimated income gains from the round is \$ 258 billion a year or about half of 1 per cent of GDP in 2005, even without economies of scale or round-induced capital accumulation. The studies differ because of their different methodologies, but together they constitute strong evidence of the benefits of the round.

Debroy (1996)⁵, points out that there are several concerns that developing countries continue to have about the textile and clothing liberalization, although they do vary from country to country. Firstly, the liberalization only extends to quantitative restrictions (QRs), it does not cover tariffs. Before the UR, the average tariff that textile and clothing faced in developed country market was 15.5 percent. After the UR, this will merely drop to 12.1 per cent, 28 per cent of developed country imports of textile and clothing will continue to be subjected to tariff of over 15 per cent. Secondly, the liberalization is back loaded; most of the liberalization is concentrated in later years. Thirdly, protection could resurface through alternate means such as anti-dumping or countervailing duties. Also there is a provision of temporary selective safeguards which could nullify many benefits of the liberalization.

⁴ Martin, Will and L. Alan Winters, 'The Uruguay Round; Widening and deepening the world trading system', The World Bank Washington, D.C., 1995, pp-14

⁵ Debroy, Bibek, 'Textiles and Clothing' In 'Beyond the Uruguay Round', Response books, a division of sage publications India Pvt. Ltd., New Delhi, 1996, pp-82, 83.

WTO Focus (1997)⁶ sketches out that, during 1980 to 1995 least developed countries (LDCs) exports grew for slowly than world trade and their collective share of world merchandise exports consequently declined from about 0.8 per cent in 1980 to 0.46 per cent in 1995. In the 1990s, the annual growth in the value of LDC exports had averaged less than 2 per cent compared with 8 per cent for world trade as a whole, study further examined that ED, USA and Japan traded 34 per cent of the total agriculture exports and the main destination for their trade are developing countries viz. China, India, Brazil and South Africa.

Trade Policy Review India (1998)⁷ revealed that the average annual growth of exports during 1993-94 to 1995-96 was buoyant, amounting to 20 per cent in US\$ terms. Consequently, India's share in world exports increased from 0.41 per cent in 1992-93 to 0.6 per cent in 1995-96. The growth rate of imports also increased, from a rate of 15.3 per cent in 1993-94 to 36.4 per cent in 1995-96. However, a slowdown occurred in 1996-97, with exports registering a growth of only 4 per cent and imports a growth rate of 6 per cent with an increase in the trade deficit to \$5.4 billion in 1996-97 as compared to \$ 4.5 billion in 1995-96, The slowdown is partly related to a general slowdown in the growth of world merchandise trade from an annual increase of 19 per cent in 1995 to 4 per cent in 1996, it is also, to a degree, due to denial of meaningful market access to Indian goods, and to Non-Tariff Measures (NTMs), including anti-dumping activity by developed countries. The multilateral negotiations have greatly helped in bringing down tariffs all over the world, similar success has not, however, been achieved on Non-Tariff Barriers (NTBs) affecting world trade. Although quantitative restrictions (QRs) are not overtly being used by most of the countries to restrict the flow of trade, quotas, standards, subsidies and indiscriminate use of antidumping/ countervailing duty investigations are some of the most important NTBs being used to restrict the flow of trade from countries such as India.

WTO Review (1998f) showed that some member's in the Council's discussion of the integration process that, notwithstanding the fact that the required percentage of products to be integrated had been met, the integration programmes of the importing members for stages 1 and 2 were not commercially meaningful for developing exporting members. The products, selected for integration were concentrated in less value added products such as tops, yarns and fabrics, with only small shares of made ups textile products and clothing; furthermore, the share of integrated products were substantially lower in terms of value trade than in volume of trade while more of the integrated trade was being accounted for by imports from developed countries than from

⁶ WTO, Focus 1997

⁷ World Trade Organization, Trade Policy Review India, Report by Govt, 1998.

developing countries. These members noted that the proportion of the integrated trade in respect of products that were under restraint was in the range of only 0-3 per cent of 1990 imports of products covered by the ATC. As the first and second stages of integration would have little or no impact on the restraints, with over 96 per cent of restricted trade remaining to be integrated even after 7 years of implementation, there would be no benefits for developing countries.

Ministry of Commerce in a monthly newsletter (1999) found that the integration process of items of textile and clothing sector into GATT (1994)/WTO had been very tardy, especially in the case of U.S. and E.U. In fact, commercially meaningful integration has not been done. The integration initiated by U.S. and E.U. in the first two stages has not led to the removal of restrictions on any item under specific restraint from India. The developed countries appear to have adhered to the legal requirements of the interaction process. Also the functioning of the Textile Monitoring Body (TMB) is not very encouraging. The structure of the TMB is such that in any issue, it tends to get divided into two distinctive blocks of importing country members and exporting country members. The result is that on many disputes they end up issuing a finding rather than making a recommendation. Further there is a tendency to replace quotas or Quantitative Restriction (QRs) with other disguised ant import measures both by the U.S. and E.U., especially after the finalization of Agreement on Textile and Clothing(ATC) in December 1993 (Repeated action was initiated by EU in the case of imports of unbleached cotton fabrics from India). The E.U. accelerated the anti-dumping drive in the textile sector during 1994. Also the U.S. proposed as many as 26 new restraints globally during the first year of the ATC. The ostensibly social new issues (such as child labour, labour standard, ecological standards etc.) have been invoked both by U.S. and E.U. as protection measures in the textile sector.

Das (2001)¹ concludes that the obligation under WTO has made the country to remove almost all import barriers except the few which are mainly for security and health reasons. Foreign goods are gradually replacing domestic ones on the shop shelves. Industry is concerned that some segments may lose business and face closure. The labour is alarmed at the prospect of large scale layoff. Investors are hesitant to put in their money in the manufacturing sector with an uncertain future. Of course, there are some benefits too, but WTO's demand of quick withdrawal of import controls has given a Jolt to Indian Industry. Encouraged by gains in the earlier UR, the developed countries now want more. They will be strongly pushing for a 'new round' of negotiations at Doha in November. The new areas include investment, competition policy, government procurement, and environment and labour standards. The negotiations and

agreements in these areas will benefit them while being extremely damaging to developing countries like India.

Economic Survey (2001-02)⁸ refuted the concerns that liberalization of imports resulting from the lifting of Quantitative Restrictions (QRs) on agriculture products would lead to surge of agriculture imports affecting adversely the Indian farmers. The value of Agriculture imports in aggregate terms has come down to about US\$ 1.8 billion in 2000-01 from US\$ 2.9 billion and US\$ 2.8 billion in 1998-99 and 1999-2000 respectively. India has considerable flexibility to counter flooding of Indian market by cheap agriculture imports by imposing tariffs (bound rates) under WTO for agriculture products which provide a fair level of protection. The Govt, in fact, raised the import tariffs for many agriculture products such as tea, coffee, pulses and edible oil in budget 2001-02. Countervailing duties can also be imposed to counter actionable subsidies given to agriculture products by the exporting countries apart from safeguard provisions to counter surge of imports.

McGuire (2002)⁸ emphasized that unlike trade in goods, the GATS framework operates on a request-offer, positive list approach on liberalization commitments. This approach allows countries not to undertake any commitment in certain sectors in the negotiations and they are under no legal obligation to supply information to their trading partners on the nature of discriminatory or access impeding regulations maintained at the domestic level. Generally, each member comes out with a wash list for obtaining market access from partners and submits this 'request' to the services council. Following the negotiations on the basis of the 'requests' each member produces an 'offer' list, showing the maximum market access it is willing to provide. However, there may not be any correspondence between requests and offers as countries liberalize only upto the point that satisfies their economic interests and not the same of their partners. Although service liberalization is beneficial for the economy, this gives the members a chance to sequence it and monitor its pace, which is quite important.

Panagariya (2002)⁸ concludes that despite continued asymmetries between the influence of the rich and poor countries, WTO is by far our best hope for protecting our trading rights. It is not a 'necessary evil' as our leaders sometimes describe it, instead, it is god sent. A key condition for faster economic growth in countries such as India is guaranteed access to open world markets. And the only institution that can deliver this access is WTO In spite of the

⁸ McGuire, Greg. Trade in Services-Market access opportunities and the benefits of liberalization for developing countries', policy issues in international trade and commodities study series No, 19, UNCTAD, New Delhi and Geneva In The WTO Deadlocked-understanding the dynamics of International Trade, Sage publications, New Delhi, 2002.

pressure we face from the rich countries through WTO, it remains the best guarantor of our trading rights. Anyone who thinks otherwise only needs to contemplate a world without WTO, In that world, rich countries would not need to demand, they will simply impose it, it is the power of the WTO rules that protects smaller nations from unilateral trade sanctions by rich and powerful nations.

Trade Policy Review-India (2002)" reveals that Quantitative Restrictions (QRs) especially in the textile sector, are one of the most important of non-tariff barriers affecting India's trade. The major trading partners of India had not met any industrial adjustment nor had accorded any meaningful access to developing countries like India. The integration programme implemented by the importing countries had not been in line with the spirit of the Agreement on Textiles and Clothing (ATC), though it may have conformed to the narrow technical and legal requirements of the agreement. In the first stage starting from Jan. 1, 1995, major restraining countries integrated no product under restraint from India, and in the second and third stage, integration of restraint products has been negligible. The result is that even in the tenth year of the transition period, more than 95 per cent of India's apparel and yarn trade would remain un-integrated with some of its major trading partners. Further, the integration schedules have a greater concentration of low value added products. It is thus obvious that the major importing countries have continued to backload the integration process and the bulk of the integration take place only at the conclusion of the transition period. Another problem is growing regionalization of textile trade on account of formation of Free Trade Areas (FTAs) and Preferential Trading Arrangements. It is estimated that 59 per cent of world trade in textiles is presently taking place under RTAs. Such localization of world textile trade is adversely affecting India's textile trade.

Trade Policy Review-India (2002)^^ reveals that market access has been affected by several Non-Tariff measures (NTMs). In the agriculture product sector, there are barriers to export of mangoes and other fruits on account of insistence of some of our major trading partners to use only the Vapour Heat Treatments (VHT) procedure. In the floriculture sector, these are certain plant quarantine procedures in some importing countries including zero tolerance for some insects and pests, which affect our market access. The export of Indian milk product is affected on account of certain conditions like proof of absence of TSE/Scar pie in India insisted upon by some trading partners. There is continuing ban on import of Indian meat by some countries even though India has been free from rinderpest for the last three years and the same has been published in the OIE bulletin released from Paris. There are different regulations on use of pesticides and pesticides residues by various importing countries, which have affected market

access of Indian products like grapes, egg products, honey, meat products, milk products, tea and spices. Non harmonization of regulations for approval of exporting units of Indian egg products and non-approval of India egg processing establishment by one of our major trading partner is another market access barrier.

According to WTO Review (2002)⁹ the members of International Textile and Clothing Bureau (ITCB) emphasized that little progress had been achieved to liberalize trade in textile and clothing through integration and elimination of quotas. The integration programme of restraining members had concentrated on low value added yarns, fabrics and textile made up products with very few clothing items being included; moreover, the bulk of quotas remained in place. Even after the third stage integration, the number of quotas that would remain in place was as high as 701 out of 757 in the case of US, 164 out of 219 in the case of European Communities and 241 out of 295 in the case of Canada. Thus progress had been meager and had not led to the expected benefits for exporting developing countries. In their view, the increase in the rates of annual quota growth can't be a substitute for effective integration of products. Furthermore, the actual growth rate increases had not provided significant improvements in market access as, the actual pre-ATC growth rates were low. On the basis of average pre-ATC growth rates, the average addition in access during the first two stages of the ATC implementation had amounted to only 0.73 per cent per year in the European communities, 1.03 percent in the US and 1.22 per cent in Canada. As a result, the quotas continued to be restrictive. On the other hand, the restraining members considered that imports into the developed restraining had increased at a substantial rate during the period in which quotas had been applied. In the European communities, between 1995 and 2000, imports had increased 54 per cent and these imports had come mostly from developing countries. In Canada, total clothing imports since 1994 had increased by 71 percent; imports from developing countries had grown by 79 percent during the 1995-2000 period.

Chadha (2003)⁹ concludes that there have been shortcomings in the agreement. This, in turn has led to loopholes, thereby providing the scope for non-implementation of agreements in their proper spirit. However, it cannot be denied that the negotiation led to streamlining of the multilateral trade rules. It brought the two most controversial sectors-Agriculture and Textiles into the mainstream of multilateral rules. The liberalization got initiated in two sectors alongwith a totally new one-the service sector. The improved dispute settlement system

⁹ Chadha,G.K., 'W.T.O. and Indian Economy', Deep and Deep Publications, Pvt. Ltd. New-Delhi,2003, pp. 217-219.

ensured that the voice of the developing member's will not be ignored. So if not in quantitative terms, the qualitative achievements of Uruguay Round (UR) of trade negotiations cannot be ignored.

CHAPTER 3

WTO: AN OVERVIEW - A BRIEF HISTORY OF WTO

GATT: A Historical Perspective

The General Agreement on Tariffs and Trade (GATT) was an international body which remained in existence for a period of forty-six years. It was negotiated in 1947 and came into force on January 1, 1948. GATT started as a general agreement for trade concessions among 23 nations, including India, and its membership increased to 117 countries as on December 31, 1994 - the day it ceased to exist. The Geneva-based 117 nation GATT had two thirds of its members belonging to developing nations.

GATT was neither an organisation nor a court of justice which could enforce its decisions. It was simply a multinational treaty, subscribed by nations covering 85 per cent of the world trade. It provided a forum to discuss trade problems, faced by member-countries, known as contracting parties.

It had been almost half a century since the GATT came into being. During this period GATT established itself as a prominent feature in the international landscape and made its presence felt in the world of trade and commerce. Through successive rounds of negotiations, the barriers obstructing the free flow of trade were slowly and steadily lowered. A whole corpus of jurisprudence on Trade matters evolved under the aegis of GATT.

The Uruguay Round Agreement signed in Marrakesh to establish the World Trade Organization (WTO) ensures change within continuity:

Continuity in the sense that the philosophy, culture and specificity of GATT will not evaporate or vanish, but instead will enrich the new spirit of the WTO; and change, because the deep transformations experienced by our world in terms of technological breakthroughs, globalization and liberalization necessitated this change.

Keeping in view the aforesaid facts, an attempt is made to trace a brief historical development of events ever since the birth of GATT till the conclusion of the Uruguay Round in Marrakesh on the 15th December 1993 which led to the creation of the WTO on January 1, 1995.

BIRTH OF GATT

General Agreement on Tariffs and Trade (GATT) was essentially a trade agreement among 120-odd nations which constituted contracting parties to the GATT and India was also One of them. It was one of the institutions which took concrete form out of the deliberations of the

Bretton Woods Conference, held in July 1944. The Bretton Woods agreement was directed towards increased international co-operation in money finance and trade. As such three separate institutions were established, namely, (i) IMF, (ii) IBRD, and (iii) GATT.

GATT was a post-war development; which was created out of the efforts made by the Allied Powers during the World War II to create new international institutions that would help promote more liberal system of international trade and payments.

The Great Depression of the thirties had promoted the governments of many countries to erect various kinds of protective trade barriers, high tariff protection, quota restrictions on imports, exchange controls and the like. These restrictive trade practices had severely hampered the growth of international trade in the 1930s. IMF was designed to provide a multilateral payments system and to help member countries in overcoming short-term balance of payments deficits without recourse to import restrictions. Side by side with the IMF, plans were also put forward for the negotiations of a world trade charter incorporating an international commercial code.

It was in November 1945 that the U.S. Deptt of State published its proposals for expansion of world trade and employment. These proposals set out general principles of a multilateral trading code, together with suggestions for setting up of an International Trade Organisation (ITO). A conference was invited in London in 1946 to consider these proposals.

While the proposals for setting up of the ITO had met with failure, the tariff concession resulting from the tariff negotiating conference were embodied in a multilateral contract called the General Agreement on Tariffs and Trade (GATT). The contract was signed on October 30, 1947 at Geneva and became effective from January 1, 1948. One of its most important effects was to bring about a substantial reduction in the U.S. tariffs which had risen to high levels in the 1930s. Consequently, the GATT became an instrument that helped bring about the economic recovery of Western Europe.

GATT, which had originally been intended as a purely temporary arrangement, had become a permanent international arrangement body till ceased to exist on 31 December, 1995 whose rules had been accepted by most of the leading trading countries.

FUNDAMENTAL PRINCIPLES OF GATT

GATT was a treaty that was collectively administered by the contracting parties. Representatives of the contracting parties used to meet from time to time to discuss matters of common interest and to give effect to the provisions of the Agreement requiring joint action.

The text of the GATT Agreement was complicated, but the following were regarded as its four fundamental principles:

- (i) Trade should be carried on the non-discriminatory basis.
- (ii) Domestic industry should only be protected by means of customs tariffs and not through other commercial measures.
- (iii) The aims of consultations should be the avoidance of damage to members interests.
- (iv) GATT served as a framework within which negotiations could be held to reduce tariffs and other trade barriers.

GATT and Developing Countries

Before the Kennedy Round (1964-67), developing countries gained very little from the GATT except that they could use quantitative restrictions to correct disequilibrium in balance of payments and benefited from tariff reduction by developed countries. But the principle of reciprocity for trade concessions went against the developing countries, because they were unable to provide equivalent benefits to the developed countries. For instance, tariffs on total manufactured imports by developed countries averaged 11 percent but were 17 per cent on those from developing countries. Moreover, GATT did not take any initiative on trade barriers on agricultural and tropical products of developing countries.

The concept of “special and preferential” treatment for developing countries was formally introduced into the General Agreement in 1957. Under it negotiations would take in account the needs of LDCs for a more flexible use of tariff protection to assist their economic development and the special needs of these countries to maintain tariffs for revenue purpose. On the recommendations of the Haberler Report, the GATT started an action programme in 1958 which recommended that the developed countries should reduce taxation and trade barriers on industrial and primary products of developing countries. In 1963, the contracting parties agreed on a more flexible attitude towards LDCs. Accordingly, tariffs on some tropical products like tea and timber were reduced or eliminated by developed countries.

In 1965, a new Part IV on Trade and Development was incorporated into the General Agreement dealing with the principle of non-reciprocity for developing countries. It states that “the developed contracting parties do not expect reciprocity or commitments made by them in trade negotiations to reduce or remove tariffs and other barriers to the trade of less developed contracting parties should not be expected in the course of trade negotiations, to make contribution which are inconsistent with their individual development, financial and trade needs, taking into consideration past trade developments.”

The Kennedy Round (1964-67) bestowed some benefits on developing countries when thirty-seven developed countries reduced tariffs on manufactured goods. But little attention was paid to the problems of developing countries.

In 1970, the Generalized System of Preferences (GSP) was introduced which permitted developed countries to grant unilateral tariff preferences to developing countries. In June 1971, the GATT waived the MFN treatment obligation for developed countries for a period of ten years to the extent needed to grant preferential treatment under the GSP which has since been extended further.

It was, however, in the Tokyo Round (1973-79) that a number of agreements on subsidies and countervailing duties covering agricultural, fisheries and forestry products; on customs valuation; on government procurement; on technical barriers to trade; on important licensing; on dairy products; on bovine meat; and on civil aircraft were reached. It was a triumph for developing countries for these agreements contained special provisions for developing countries. The Tokyo Round also led to trade concessions to the exports of raw, processed, and semi-processed tropical

Products of developing countries by developed countries.

Moreover, GATT rules also banned export subsidies on manufactured products by developed countries. On the other hand, they allowed export subsidies for economic development and industrialization by developing countries.

Despite special and preferential treatment for developing countries provided in GATT rules, they were being discriminated under the “escape clauses” and “safeguard” rules of the GATT. Moreover, the multiplication of trade restrictions outside the GATT rules, such as “Voluntary export restraints”, and “orderly marketing agreements” went against the interest of developing countries and undermined the utility of the General Agreement.

Criticisms of GATT

There had been large scale evasion of GATT rules by contracting parties over the years which had made a mockery of the GATT. From the beginning of the GATT, agriculture was treated as a special case where GATT rules hardly applied. Almost every developed country followed such agricultural trade policies which were inconsistent with GATT rules. It was only at the Kennedy Round and the Tokyo Round that a few agreements were arrived at relating to agricultural and dairy products. But trade liberalisation for agricultural products had been much less than for manufacturers. Producers of agricultural products had been resorting to domestic support policies leading to surplus production that could be exported only with the help of heavy subsidies. No doubt, developed countries had removed the majority of tariff barriers, yet

they had been reluctant to abolish others. In fact, they had devised new trade restrictions under the grab of “voluntary export restraints”, “low-cost suppliers”, “market disruption”, etc. which were outside the GATT rules. They were being applied against developing and state trading countries and Japan. For instance, such restrictions affected over 50 per cent of the French imports and 45 per cent of the United States. The role of GATT was being undermined by concluding bilateral, discriminatory and restrictive arrangements outside the GATT rules. The EEC and the US had placed many import restrictions on innumerable products from Brazil, Hong Kong, Korea, and a host of other developing countries, besides Japan, after bilateral negotiations. At the time of the conclusion of the Uruguay Round on December 15, 1993, over 100 MFA type bilateral agreements were in force in the world which restricted exports of developing countries to the developed ones.

The increasing use of subsidies had been another important factor in side-tracking the GATT. This is because GATT's rules on subsidies were not explicit. The GATT rules permitted domestic subsidies but they led to retaliation if they damaged the trade interests of other countries. The result was a further worsening of open trade. That was actually happening.

The “safeguard” rules under Article XIX of the GATT allowed the contracting parties to grant protection in case of need, such as injurious dumped or subsidised imports, or in severe balance of payments difficulties. But all temporary restrictions permitted under the escape clause had become permanent features of the world trading system.

World Trade Organisation: Structure and Functions

The World Trade Organisation (WTO) came into effect on January 1, 1995 with the support of at least 85 founding members, including India. It is now the third economic pillar of worldwide dimensions along with the International Monetary Fund (IMF) and the World Bank. The WTO replaced the General Agreement on Tariffs and Trade (GATT) - one of the institutions, namely, IMF, IBRD and GATT which took concrete forms out of deliberations of the Bretton Woods Conference, held in July 1944. It was established by the Agreement signed by 125 participant nations on April 15, 1994 at Marrakesh (Morocco).

WTO vis-a-vis GATT

The WTO is a distinctively as well as qualitatively an improvement upon the GATT. It is different from the GATT in following respects:

- (i) The WTO is more global in its membership than the GATT. Its prospective membership is already around 150 countries and territories, with many others considering accession.
- (ii) It has a far wider scope than its predecessor, bringing into the multilateral trading system, for the first time, trade in service, intellectual property protection, and investment.

- (iii) It is a full-fledged international organization in its own right while GATT was basically a provisional treaty serviced by an ad hoc secretariat
- (iv) It administers a unified package of agreements to which all members are committed. In contrast, the GATT framework includes many important side agreements (for example anti-dumping measures and subsidies) whose membership is limited to a few countries.
- (v) It contains a much improved version of the original GATT rules plus a lot more. The new version, called GATT 1994, clarifies and strengthens the original GATT rules for trade in goods.
- (vi) It reverses policies of protection in certain "sensitive" areas which were more or less tolerated in the old GATT. Under various agreements, export restraints on textiles and clothing will be dismantled, trade in agriculture reformed and "grey-area" trade measures - so called voluntary export restraints - phased out.

CHAPTER-4

INDIA AND THE WTO

In the previous chapter, we have seen how India changed its economic path from that of a closed economy to an open economy desirous of integrating with the global economy. After that, came India's accession to the WTO in 1995. The present chapter aims to explore the debates surrounding India's accession to the WTO.

India acceded to the WTO despite domestic opposition. This poses a level of analysis problem for us in two spheres. The first is to examine how can legitimacy be obtained at domestic level for international obligations. Secondly how can our negotiating strategy reflect our ideological stances. These two vital questions will be addressed in the present chapter. The chapter also shows the impact of key WTO agreements on India. It gives an account of the changes brought about in the various sectors of Indian economy on account of the WTO regime.

It delineates the significant issues that are of concern to India. In doing so it brings out the main argument of the study as to the impact of a multilateral trading regime on a developing country like India. This is shown through the implication of crucial WTO agreements on India. It also seeks to examine how active India has been at the Dispute Settlement body and show cases some disputes and their resultant issues. It examines the stance India has taken in the various WTO meets with a view to establish whether India has been able to meet its policy objectives at the WTO. If not, then what is wrong with our negotiation strategy. It therefore links up Chapter Three and Chapter Four by first illustrating the issues before India as a developing country vis-a-vis the WTO and then by examining how domestic factors influence the policy making in a democratic country like India.

The aim of the chapter is to provide empirical data through India's various proposals to the WTO, In doing so, some of our broader theoretical concerns with regards to sovereignty, domestic constraints and interplay between various political actors are germinated which are then interwoven with the TRIPS agreement, in the next chapter. In examining the interface of India with the WTO, we touch upon the broader theoretical perspectives of adverse terms of trade of the South vis-a-vis the North, as expounded by Rauls Prebisch. We also see how trade relations of weak and strong states are regulated by regimes.

i) India and the GATT

The GATT was born just two and a half months later after India achieved Independence. The detailed exposition in the preceding chapter showed the inward-orientation of a state just out of Colonialism. It would have, therefore, been a natural choice for India to have stayed out of the GATT. Surprisingly, it didn't. But the reason for joining it was not economic engagement

with the rest of the world; it was primarily political. The ideology of 'Non-Alignment' meant that the Indian government was keen to maintain ties with both the West and the East. The GATT provided the means for achieving such state of affairs in India's political economy. Besides, India was immediately able to find a position as leader of the newly decolonised members of the GATT, who were cautious of opening up their economies to the rest of the world. This position of identifying with the national interest of the other developing countries in order to obtain political goodwill and leadership continued till much later; but, as we shall examine later, such a stance does not necessarily pay off in multi-lateral trade negotiations. India enjoyed a favourable balance of trade just prior to her independence. Being a debtor country, our exports were higher and ensured a favourable balance of trade. In 1942-43, our exports stood at Rs. 199 crores and imports at Rs. 107 crores. Our foreign trade was mainly with United Kingdom, which supplied us two-thirds of our imports, which consisted mainly of manufactured goods.¹⁰

ii) Co-opting into the WTO Regime

We have already discussed how the inadequacies in the GATT and the changing global environment created the conditions for establishment of the WTO. Further, we have alluded to the observation that the WTO regime was built on the ideological considerations of 'Washington Consensus' and Global Public Good. The WTO also had a democratic framework that drew legitimacy from its principles and the Dispute Settlement Body. We have also identified how the gains from Uruguay Round Negotiations were perceived as being beneficial to the developing countries. These ideologies and organizational structure gave the WTO an equitable, fair and just status so that developing countries, convinced of their economic gains, became keen to join it.

In the previous chapter, we have discussed how the Indian government opted for economic reforms in its political economy and took a conscious decision for liberalizing its economy in 1991. We have also referred to the point that the response of various actors in the Indian state to the reforms was largely unfavorable and negative. 1991 was also the year of the draft final act of the Uruguay round, popularly known as the Dunkel Draft'. We can term it a historic coincidence that the Dunkel Draft was introduced in the same year when the Indian economy was being systematically liberalized. This shows the linkage between the unit level and the systemic level changes that we referred to in our first chapter. In order to

¹⁰ See A. B. Deoairikar, *The WTO and Indian Economy*, 2004, p. 4

examine how India got co-opted into the WTO regime, it is important to first take a brief look at - india's stance during the Uruguay Round.

India at the Uruguay Round

Indian Ambassadors played a significant role during the Uruguay Round. Though India espoused commitment to the multilateral trading regime, it was a prominent nation that offered resistance to most of the new agreements being offered at the Round. However, this reluctant strategy of India was sold with triumph at home. To put it in the words of the then Union minister of Commerce, Ram-Krishna Hegde, who stated at the 11nd Ministerial conference of the WTO, in Geneva, May 18-20,1998, that "Over the years, our negotiators have played a prominent role in

shaping the contours of the multilateral trading system as it exists today. We have contributed significantly to the successful conclusions of all trade negotiations. We have helped in various ways to reconcile seemingly irreconcilable position. We have participated effectively in the formulation of all major trade agreements. Since the formation of the WTO, our delegation has been active at all times in all deliberations and we have played a part in bringing difficult negotiations to a satisfactory conclusion."

C. Raghvan also gives an account of how India along with Brazil, mobilised the developing countries against a new round in 1984 and how Arthur Dunkel succeeded in isolating them.¹¹ He also says how India participated in the headhunt for the new Director General of the WTO in 1993 with the Indian Ambassador B.K. Zutshi conducting consultations with the other member-states of the WTO.

The most vehement resistance by India in the Uruguay Round came over the TRIPS agreement. The Indian delegation repeatedly emphasised that India had very strong reservations and would oppose attempts to revise existing Intellectual Property Conventions administered by the World Intellectual Property Organization. India's Chief Negotiator, A.V. Ganeshan, even warned the U.S. and other industrial countries that they would be on a collision course if the Uruguay Round Negotiations were sought to be used to undertake an omnibus revision of existing international conventions of Intellectual Property Rights.¹² We shall subsequently discuss that how the Indian delegation changed its stance, but the point here is that India was vocal in its issues of concerns at the UR. The fact that it shifted course and accepted the WTO package,

¹¹ See C Raghvan, "Undemocratic decision-making could wreck the WTO' 1999, available at www.rediff.com

¹² See C.Raghvan,"TRIPs Negotiations on Collision Course, Warns India", July13,1989 available at www.rediff.com

speaks volumes for the political reality of the inequitable world in which we live and of the limited choices that developing nations have in the prevailing international trading system.

Thus, while in the UR developing countries were frustrated with the Market Access offers and felt the one sidedness of it (To quote B.K.Zutshi, 'There is a deep imbalance in the exchange of concessions in the areas of interest to developing countries... in textile and agriculture. The developing countries are making larger offers in the areas pf interest to the developed countries It should work the other way round')¹³ it was also perceived that economic rationale demanded that it was better to be co-opted in the regime and then try to maximise the gains through negotiations, bargaining and coalition building rather than keeping out of the trading system and being isolated on account of it.

To quote Zutshi, "The question of walking out of the WTO should not arise as we are not going to gain anything from the move. We are not a part of any regional trade arrangement which could keep our international trade going in case we quit the multilateral arrangement. Since we have no viable alternatives, we should try to maximise our gains within the WTO".¹⁴

During interaction with the researcher (on 13.3.2005), Zutshi reiterated that the gains from being a founder- member were immense and hence, even though India had to take on the onerous obligations of the TRIPS, it was perceived an economic need to be part of the WTO regime. The changed economic environment in the country (see Chapter Four) also provided a rationale for the membership of the WTO.

Responses: State and Civil Society

While the UR took eight arduous years to complete, it appeared that they were not adequate for the Indian government to spread awareness about the changes that would ensue from them. We have already noted that the economic reforms had evoked varying responses from India's civil society. India's joining of the WTO was seen by many stakeholders as succumbing to the forces of neo-imperialism. The responses of various actors of the Indian state and civil society to India's entry into the WTO were often strong and overwhelmingly negative. They reflected distinct perspectives that are discussed below.

There was widespread resentment in India against the Dunkel Draft in 1991. Over 250 members of Parliament issued a statement against extending the scope of trade negotiations. The then Chief Minister of West Bengal wrote to the Prime Minister demanding that the states be

¹³ Quoted in Trade Week in Review, Nov.27-Dec 03 1993, Vol.2, No. 215

¹⁴ See B.K. Zutshi's interview to Amiti Sen, The Financial Express, November 8, 2001

consulted before a decision was taken on the Dunkel Draft. In 1994, the then Chief Minister of Tamilnadu also demanded a conference of the Chief Ministers, to examine the implications of the new treaty. The Left parties denounced the signing of the GATT treaty as being done in a most "autocratic manner" and organized an Anti-Dunkel Bombay march in October 1994¹⁵ against the impending visit of Arthur Dunkel to India. Perhaps more significant was the Indian farmers' rally against the Dunkel Draft on 3rd March, 1993 which was indeed "Vox Populi Vox Dei". The rally was called the 'Seed Satyagraha' and its focus was the TRIPS Agreement, which it was felt, would rob the farmers of the right to save and reproduce seed. The charter of demands drawn up by the various farmers organizations stated the following:

"The meeting of farmers demands the total rejection of the Dunkel Draft text which is trying to invade the economic sovereignty of the country and further damage the human rights and dignity of the individual. This meeting also demands an amendment to the constitution of India making it mandatory on the part of the government to get all international agreements ratified by a majority of both houses of parliament and also of not less than one half of the states legislatures. The Dunkel Draft must be discussed in all States Legislatures".¹⁶

Vandana Shiva became the voice of civil society with her campaigns against biopiracy and with her ideology of Anna-Swaraj. Her argument will be taken up in the next chapter in the context of the TRIPS.

In 1991, the formation of the Swadesh Jagran Manch (SJM) by D.Thengdi, showed the simmering discontent within the BJP over liberalization. Their argument was built around selective globalisation. "Genuine liberalization and hegemonic liberalisation can never go together. The Hindu concept of globalisation represents genuine globalisation".¹⁷ They espoused 'Swadeshi' as a means of bringing about economic reconstruction of the country. S.Gurumurthy's view that "the market is only one of the institutions of delivery and not the sole institution"¹⁸ became the base of the SJM Similarly, Ashwini Mahajan called for quitting the WTO and stated that though the country had the resilience to survive outside the WTO but its leadership lacked the will to do so.

He opined that bilateral trade agreements are a better option. Moving away from such pragmatic needs, Gurumurthy spoke of the Indian philosophical and ideological roots. According to him, Indian civilization is a reactive civilization because it is influenced by

¹⁵ See News Report: Indian Farmers Rally Against Dunkel Draft & MNCs, March 5,1993.

¹⁶ See Political Significance of Anti-Dunkel Bombay March, Article available at Redstar, October, 1994.

¹⁷ See R. Upadhyay's paper Globalization Vs. Swadeshi - A tricky problem for Vajpayee, South Asia Analysis group, Paper No. 132, 7-8-2000

¹⁸ See his interview with Shobha Warrier, at www.rediff.com, April 8, 2003

Satwa.¹⁹ The clash with globalisation is going to generate an economic civilisational conflict. In the process, the Indian mind will generate its own native ideas.²⁰

The 'Azaadi Bachao Andolan' spearheaded a movement against 'Corporate Colonialism' and brought out a joint memoranda signed by over two million people demanding India's withdrawal from the WTO ²¹ Their argument was that the constant decline of Indian exports and increase in imports and consequent rise in its debt demonstrated the hollowness of the promise of export benefits as a result of the WTO membership. They lamented the rise of inflation, corruption and cultural degradation as a fall-out of the country's participation in the so -called "New Economic Order."

Similarly, in the BJP, Kusha Bhau Thakre said and demanded that India should opt out of the WTO as it could not afford to continue functioning under its x umbrella and that it was unfortunate that the United Front Government had signed the WTO agreement without bothering about the negative ramifications on India's sovereignty and various sectors including agriculture, trade, commerce and industry.²²

Utsa Patnaik has argued that the costs of the 'free trade' instituted under loan - conditional trade liberalisation in India from 1991 and accelerated after the signing of the WTO are similar to those of colonial times. These costs relate to the reemergence of an inverse relation between agricultural exports and domestic food availability and to de-industrialisation, which in Keynesian terms means "export of unemployment of North to other countries of Third World".(from the first EMS Namoodiripad Memorial Lecture, February 16, 2000, N.Delhi) It is evident that the government failed to build up a consensus regarding its entry in the WTO. The kind of debate that took place, for instance, in the US Senate for ratification of the WTO Treaty did not occur at all in India despite its democratic traditions. Thus, if the fallacy of consensus at the systemic level is exposed by the way 'the WTO package' was imposed upon the developing countries, it cannot be denied that this fallacy exists at the unit level also.

Though there was no pressure on India to join the WTO, it did so. Presumably, because after embarking on the path of economic reforms, the policy makers were aware of India's potential to secure better gains from trade and a multilateral trading regime was the best means to procure those gains. As we have identified in Chapter Three, there were significant factors that made many developing countries join the WTO.

¹⁹ See The Tribune March 4. 2001

²⁰ See his interview, January 25, 1999, available at www.rediff.com. Business Interviews

²¹ See Rediff on the net, Business Report, December 12, 1998 at www.rediff.com

²² See his statement, June 22, 1998 available at rediff.com

India fell prey to the same kind of fallacy that lured most of the developing countries - that the gains of better market access to the North would offset short-term costs of agreements like the TRIPS. But unfortunately, it did not happen this way. As the furore over joining the WTO continued, the Indian negotiators, too realised that they along with other Third World countries, had given more than they had got. As discussed in Chapter Three, this disillusionment grew among the developing countries over various agreements and issues. Before we focus on specific issues relating to India as a developing country and those that affect India's domestic sectors adversely, let us examine the broad changes brought about by the WTO regime.

CHANGES BROUGHT ABOUT BY THE WTO

India's accession to the WTO seemed logical against India's opening up of economy since 1991. After joining the WTO, it was imperative that further changes were reflected in the Indian economy in tune with the WTO commitments. The Trade Policy Review of India, 2002, provides the overall changes in the economic environment in the aftermath of the creation of the WTO.

The reduction in tariffs has been one of the significant changes of the WTO regime. India committed to make adjustment in tariff rates for 3373 commodities at 6-digit HS level. Out of this, in 1998-99 only 40 commodities showed higher applied tariff rates.²³ The average annual MFN tariff rates of the Indian economy have declined continuously from 1993-94 to 1998-99, in almost all commodity groups. The structure of customs duty rates has also become simple. For non-agricultural goods, India undertook ceiling bindings of 40% ad valorem on finished goods and 25% on intermediate goods. Even in agricultural commodities, whereas the negotiated bound tariff rate for all agricultural tariff lines is 114.9%, in 2000-01 the average basic duty rate was 34.9%.²⁴

The protective regime of Quantitative Restrictions was already being dismantled at the time of joining the WTO (See Chapter Four) In compliance with the tariffication commitment, Quantitative Restrictions (QR) on 14 (out of 1429) tariff lines stood withdrawn with effect from April, 2000 while the remaining had to be lifted by March, 2001 (This later led to the QR case in the DSB) The list of the items in the Open General List was also significantly increased. Thus, India's compliance on this account was disciplined. India's schedule under GATS provides for specific commitments in various services like communications, financial services,

²³ See Rajesh Mehta, Tariff and Non-Tariff Barriers of Indian economy, A profile, Research and Information System, N. Delhi, 1999

²⁴ See G.K Chaddha. The WTO and the Indian Economy, 2001. p 32

tourism etc. The government made changes in investment and ownership policies to improve infrastructure in services. It also liberalised the FDI regime. It also participated in the Information Technology (IT) agreement and offered zero tariff rate on 217 IT related tariff lines by 2005. Since India enjoys comparative advantage in services, it is only in India's interest to push for liberalization in this area.²⁵

While it can be said that India has steadily endeavoured to meet its WTO commitments, it does not mean that there was an end to the domestic opposition. Not only did the criticism on the surrendering of the government to the WTO dictates continued but also, it started to reflect in the proposals that India put through at the negotiations. However, there was a growing realization among the stakeholders within India's political economy that instead of opting out of the WTO, India as a developing country stood to gain if it could make proper use of the relevant mechanisms at the WTO in order to meet its developmental objectives. We, therefore, examine these proposals as well as specific issues of concern to India in the next sections of this chapter. Such an analysis is necessary for coming to a nuanced understanding and credible conclusion regarding the interface of India's political economy with the WTO.

CONTENTIOUS ISSUES

in Chapter Three, we have referred to issues of special concern to the developing countries, viz. Special and Differential Treatment, Administered Protection provisions, Implementation issues and the working of the Dispute Settlement Body. In this section, we analyse these issues in the context of India and examine the problem -areas as well as India's official stance.

i) Special and Differential Treatment(S&D)

As indicated earlier, the S & D treatment provisions for developing countries were incorporated into the various WTO Agreements to shield them against potential adverse trade impact on their political economies. However, these provisions are mostly in the nature of 'best endeavour' and are not legally binding. Moreover, they are in the nature of transition periods and technical assistance. There are almost 145 S&D provisions in the various agreements, but as we have seen, they have not had any effective impact on developing countries.

India has always been vocal in its demands for stronger S&D treatment. India along with 11 other developing countries, submitted a communication (WT/GC/W442) on 19th September, 2001 stating that the concept of S & D treatment is a fundamental building bloc of the

²⁵ Chaddha ibid

multilateral trading system and that it is essential as a recognition of inherent inequality of players in the multilateral trading regime. As the WTO agreements go far beyond the traditional border measures covered under the GATT, S & D treatment takes on even more significant overtures. With this view, India has called for a thorough review of the concept of S & D treatment based on the following guiding principles:

- (i) the liberalisation of trade is not an end in itself, but the means to an end viz. economic growth and development.
- (ii) Different levels of development achieved by members require different sets of policies to achieve economic growth and development In order to institutionalise and rationalise the adoption and application of S &D provisions in the various WTO agreements, the WTO members should elaborate an umbrella agreement on S &D treatment which should include provisions reflecting the objectives of S & D treatment.

Some of the features of this proposed agreement should be as listed below:

- (a) Convert all S &D treatment provisions into concrete commitments with a focus on addressing the constraints on the supply side of developing countries,
- (b) S & D provisions to be made mandatory and legally enforceable by incorporating these commitments into country schedules, and
- (c) Single undertaking should not apply to developing countries on an automatic basis

Based on the above considerations, India submitted specific proposals on various the WTO agreements at the Special Session of the Committee on Trade and Development held in April 2002. Some of them are listed below with a view to provide a general idea about India's negotiating strategy:

Import Licensing Procedures

India calls for making it mandatory for the WTO members to give special consideration in allocation of new licences to importers who import products originating from developing countries and LDC members. Consideration shall also be given to ensuring a reasonable distribution of licences to new importers, taking into account the desirability of issuing licences for products in economic quantities.

In the context of Article 3.5(j) of the Agreement on Import Licensing Procedures, making the last section mandatory, would help developing countries, especially the least-developed ones, to increase their share in exports of products of export interest to them, as envisaged in the Preamble to the Marrakesh Agreement.

Sanitary and Phytosanitary Measures(SPS)

India wants larger time frames for compliance in Article 10.2 of the SPS agreement for developing countries to be made mandatory. "Where the appropriate level of Sanitary or Phytosanitary protection allows scope for the phased introduction of new Sanitary or Phytosanitary measures, longer time-frames for compliance should be accorded on products of interest to developing country members so as to maintain opportunities for their exports."

India has sought changes in the provisions of Articles 9.2, so that market access opportunities to developing countries are not restricted because of sanitary or phyto-sanitary requirements of the importing members.

Similarly, in the light of the Doha ministerial decision and the need for longer time-frames for compliance for the developing countries, India has proposed that in Article 10.2 of the Agreement on the Application of Sanitary and Phytosanitary Measures, the term "should" be read to express "duty" rather than mere exhortation. This could be clarified through an authoritative interpretation under Article IX.2 of the Marrakesh Agreement establishing the WTO. It is further proposed that the word "normally" in the first sentence of paragraph 3 of the Decision on Implementation-Related Issues and Concerns (WT/MIN(01)/W/10), be deleted.

Settlement of Disputes

In Article 4.10 the existing provision reads-"During consultation, members should give special attention to developing country members' particular problems and interests." It is suggested that the word "should" be replaced with "shall" so as to make this S & D provision mandatory. The precise operational content of the phrase "give special attention" is not defined. This should be modified. Similarly,

India has sought changes in Article 21.2. To make it "mandatory, effective operational and of value to the developing countries."

ii) Administered Protection

We have seen in Chapter Three that Administered Protection measures have been incorporated in the WTO and their use specially that of Anti- Dumping (AD) and Subsidies and Countervailing Measures (SCM) has been prolific. We have pointed out as to how developing countries have increased the use of these protectionist measures to protect their domestic constituencies. However, India has been frequently affected by AD measures. More than 15% of all final measures imposed in AD investigations were aimed at India.²⁶

²⁶ See Mitali Das Gupta "Shaping the WTO Anti-Dumping Agreement" A Developing Country Perspective in the Foreign Trade Review.

Some of the main points of India's proposal dated 11/10/1999 (WT/GC/W/354,355/) on Review of Anti-Dumping Agreement are as follows:

- Operationalize and make mandatory the provisions of Article 15 of the Agreement on Implementation of Article VI of the GATT 1994 so that constructive remedies before applying anti-dumping duties against exports from developing countries could be explored;
- Raise the existing de minimis dumping margin of 2% to 5% for developing countries. The 5% de minimis condition should be applied not only in new cases but also in refund and review case;
- The threshold volume of dumped imports should be increased to 5% from existing 3% for developing countries. The stipulation that antidumping action can still be taken provided developing countries collectively account for more than 7% of the imports should be dropped;
- Increase substantial quantities test to at least 40% from existing 20%;
- More details on dealing with foreign exchange fluctuations during the process of dumping;
- Provisions dealing with the determination of the material retardation of the establishment of a domestic industry should be expanded;
- Include provisions in the anti-dumping agreement for presumption of dumping of imports from developed countries into developing countries;
- Amend the annual review provisions to check abuse of the antidumping measures;
- In order to prevent back-to-back investigation, no investigation should be initiated for a period of 365 days from date of finalisation of a previous investigation for the same product resulting in nonimposition of dumping
- The lesser duty should be made obligatory in imposition of antidumping duty against a developing country by a developed country; and
- Amend Article 2.2 to clarify that where sales on the domestic market do not allow a proper comparison, the margin of dumping is determined by comparison with the export price to a third country and only when this is not representative should the export price be determined on the basis of the constructed value of the cost of the product in the country of origin.

Similarly, India has pointed out various provisions in SCM agreement which need clarification and improvement.

The most serious imbalance in the SCM agreement is that the subsidies commonly used by developing countries for their industrialization and development have been included in the prohibited or actionable category while those used by developed countries are in the non-actionable one. However, the same subsidies, which are now prohibited, were once used by the developed countries as tools for growth. This shows that these subsidies are required to strengthen the industrial sector in growing economies.

India's suggestions are contained in its various proposals of December 1999 and September 2001. Some of them are as follows:

- SCM Committee should clarify the term "major proportion of the total domestic production,;
- SCM Committee should recommend that while determining likeness of products as in Footnote 46 of the ASCM, investigating authorities should take into consideration the significance of the differentiated nature of the products even if they have closely resembling characteristics, among other things, through consideration on price comparison, substitutability and whether they are in direct competition,
- The SCM Committee should clarify the provisions of the ASCM in Annex I [Item (h) and (i)], Annex II and Annex-III so that any remission, exemption or drawback of duties and import charges to the extent of those levied on inputs consumed is not countervailed and only the amount of remission, exemption or drawback of duties and import charges in excess of those levied on inputs consumed may be treated as a countervailing duty;
- The SCM Committee should clarify that the addition of an amount of interest on the benefit conferred during the investigation period is not in conformity with the object and purpose of the ASCM,
- Alternatively, the Committee should clarify whether calculation of the interest amount on a notional basis instead of calculating it from the date when the benefit was conferred is a reasonable method of calculating interest,
- The SCM Committee should clarify that while determining the average useful life of the assets, the depreciation used for allocating the benefit should be based on the information available with the individual firms receiving the subsidy;
- The SCM Committee should clarify that for subsidy to be deemed to exist under Article 1.1 (a) (ii) of ASCM, the exporter concerned should have received the benefit of duty forgone or not collected,
- The investigating authorities should review Article 14 of the ASCM and recommend certain deductions from the subsidy amount while determining the level of

countervailing duty. The Committee should also clarify that such adjustments as required by the countervailable scheme should be taken into account while determining the amount of subsidy,

- The investigating authorities should review the need for continued imposition of countervailing duty on request by an interested party which submits positive information regarding procedural mistake or a manifest error of appreciation committed by the investigating authorities,
- The SCM Committee should clarify provisions of Article 21.2 of the ASCM and recommend that investigating authorities automatically adjust the countervailing duty corresponding to the subsidy margins for the schemes withdrawn,
- The SCM Committee should clarify that during a countervailing duty all information submitted by an interested Member which is verifiable and appropriately submitted within a reasonable period should be taken into consideration by the investigating authority. However, if a portion of the necessary information is not submitted within a
- reasonable period then for that portion of the information the investigating authority may resort to fact available under Article 12.7 of the ASCM,
- Revise Annex VII of the ASCM to cover all the WTO members included in the Low and Lower-Middle Income Category of the World Bank. Such developing countries whose per capita GNP falls below the top level of the Lower-Middle Income Category should again be entitled to the benefits available to Annex VII countries,
- Expand the scope of Article 8'1 of the ASCM to include export subsidies referred to in Article 3:1 refers to non-actionable subsidies,
- Allow aggregate and generalised rates of duty remission in case of developing countries even though individual units may not be able to establish the source of their inputs,
- Export credits by developing countries should not be considered subsidy so long as the rates are above LIBOR,
- Allow developing countries to neutralise the cost-escalating effect of taxes collected by government authorities at different levels i.e. the taxes such as sales tax, octroi, cess etc. which are not refunded, without these being termed as subsidies,
- Modify Article 11:9 of the ASCM to provide an additional dispensation for developing countries so that any subsidy investigation can be terminated immediately in cases where the subsidy provided by a developing country is less than 25% valorem instead of the existing de minimis of 1% now applicable to all Members,

- Any countervailing duty should be restricted only to that amount by which the subsidy exceeds the de minimis level in case of developing countries,
- Increase, the existing de minimis level of 3% for developing countries to 7%,
- Increase the number of calendar years for export competitiveness from 2 to 5. Export competitiveness for a developing country is reached when it attains 3.25% share of world trade in a product for 2 consecutive calendar years India also says that an automatic reinclusion clause should be added in Article 27.6 to enable developing countries to re-introduce export subsidies once the share of their export falls below 3.25%,
- A developing country should be excluded from Annex VII only if its per capita GNP continues above the critical level for a period of three years in a row,
- Allow developing countries to extend import substitution subsidy irrespective of the provisions of any other agreement, and
- Widen definition of "inputs consumed in the production process" to including all inputs, not just physical inputs which may have contributed to the determination of the final cost price of the exported products.

Developing countries also need to be provided a special dispensation as far as the provisions of Article 11.9 is concerned, so that subsidy investigations are started only if the subsidies being provided by developing countries are above a revised minimum threshold Similarly the de minimis level for initiating countervailing action should also be increased.

Subsidies used by developing countries for development, diversification and up-gradation of heir industry and agriculture are actionable under the Agreement. Article 8:1 of the Subsidies Agreement dealing with non-actionable subsidies should therefore be expanded to include subsidies referred to in paragraph 3:1 of the Agreement when such subsidies are provided by developing country members, so that action cannot be taken against them either through the dispute settlement route or through the countervailing duty route.

This detailed overview of India's proposals in the area of Administered Protection is intended to show that India wants to take full use of the Protectionist safety valves in the WTO. While this approach is justified on the grounds of domestic political constraints, it shows that successive Indian governments are unwilling to overcome the mercantilist bias in their policy choices in the issue-area of international trade.

iii) Implementation Issues

At Doha, clear differences between the Developed and Developing countries emerged over 'implementation issues'. While the Developed countries wanted to expand the ambit of the WTO through a new round, the developing countries want the WTO to first resolve the problems in implementing the Uruguay Round Agreements. A new round would have implied inclusion of new issues like Investment, Competition Policy and Environment which would have imposed additional burden on developing countries.

India has forcefully argued for addressing implementation issues under various WTO agreements. They are a major issue of concern for India's trade policy. India attaches considerable importance to find meaningful solutions to the implementation issues raised by the developing countries which essentially seek to address the asymmetries and imbalances in the Uruguay round Agreements, non-realisation of anticipated benefits, and non-operational and non-binding nature of special and differential provisions.²⁷

India has articulated the view that the S & D provisions should be implemented fully. India has also highlighted other implementation issues relating to food security concerns vis-a-vis the AOA, imbalances in the TRIPS agreement and in Agreements of Sanitary and Phytosanitary Measures and Technical Barriers to Trade. What was equally important was that these issues be addressed in a quick manner or the credibility of the WTO could be endangered. As stated by Murasoli Maran, the then Commerce and Industry Minister of India, "An impression is created that in matters of interest to developed countries, the work programme in the WTO gets accelerated whereas in areas where developing countries have a lot of interest, progress tends to be slow and halting," (Maran, Speaking at OECD Ministerial Council Session, May 16, 2002. Paris).

Accordingly, India wants the work programme on implementation issues to be given the highest priority.

India has also been opposed to expansion of the WTO Agenda and any inclusion of non-trade subjects like environment and labour in a trade body like the WTO. It has also been against inclusion of the Singapore Issues in the WTO Agenda till an explicit consensus emerges. India remained rigid on this issue at Cancun, which we shall examine later. We will also examine later whether it is in India's interest to stick to such an obstructionist approach.

iv) Dispute Settlement Body

²⁷ See Rediff on the Net, Business Report, February, 2, 1999

Since the establishment of the WTO, India has been involved in 29 disputes; as a complaining country in 16 disputes and as the country complained against in 13 cases.²⁸ In addition India has also actively participated as a third party in various disputes. India has also requested consultations with the various WTO members.

The three most important cases against India were those relating to TRIPS, Quantitative Restrictions and Anti-Dumping usage.

The first case will be taken up in the next chapter. The case regarding Quantitative Restrictions (WT/DS/90) was brought in the DSB by the US in 1999. The complaint was that India's quantitative restrictions on imports of agriculture, textile and industrial products, maintained on the balance of payment crisis grounds were inconsistent with Articles XI.I AND XVIIIrrll of GATT (1994). India justified its stance in accordance with Article XVIIkB of GATT(1994) but the WTO panel rejected its appeal. India then committed to phase out the QRs by March 2001 and complied accordingly. However, it is worth noting that India's argument that the panel by asking the IMF views about India's BOP situation had delegated its judicial function, did not reflect any merit and instead showed that we were opposing just for the sake of opposition. The case regarding extensive Anti-Dumping usage by India was brought on by the EU in December, 2003. The EU challenged the WTO consistency of the 27 Indian AD measures imposed against the EU from 1999 to 2003, on the grounds that the standards applied on the investigations by India are very low. (World Trade Scanner, No.38/17-23 December, 2003) This was perceived as a backlash to India's rigid stance at Cancun but nonetheless it brought home the fact that we are engaging in a substantial usage of AD measures.

India has also submitted a proposal on reform of DSU (TN/DS/W/47) dated 11th February, 2003, wherein India has sought tightening of DSU provisions to check discretionary power of panel and Appellate Body to seek or accept information from organization not party to the dispute. India has also sought more internal transparency in the, working of the panels and Appellate Body. Some highlights of India's proposal are as follows-

- Fix a time limit of 60 days for notifying the terms of settlement to the DSB and the relevant Councils and Committees;
- Extend the existing terms of 4 years for the persons appointed on the Appellate Body to 6 years and prohibit reappointment,

- Give third parties unfringeable rights of being heard by the Appellate Body and making written submissions Such submissions should also reflect in the Appellate Body report;
- A panel should be barred from accepting unsolicited information;
- A notice of appeal should as a rule identify issues of law covered in the panel report and legal interpretations developed by the panel in a way that they should be comprehensible to the other party and the third party;
- The Appellate Body should be barred from seeking or accepting information from any party other than the parties and third parties to a dispute;
- Any document, notes, information, etc other than case summaries, submitted by the Secretariat to panel should be promptly provided to the parties to the dispute as a rule. Parties' views on such
- Documents, notes, information, etc. should necessarily be taken into account by the panel.

The above analysis shows that India takes its position as a developing country leader seriously. It has engaged in formulating proposals in almost all key areas of the WTO and while other countries may look up to India for technical expertise, the moot point is that our own national interest must remain paramount. Our proposals should be a reflection of policy suggestions that would fulfill our developmental goals rather than be a general pool for the developing countries as a whole. While alliances with like -minded member nations are necessary, the Indian government must ensure more coherent and sector-specific proposals. The moot point is not to lose sight of our own national interest, while framing our overall trade strategy and working out our terms of engagement with the WTO.

SECTOR -SPECIFIC DOMESTIC CONCERNS

India's vulnerability in world trade emanates from the impact of the WTO regime on its crucial domestic sectors of political economy. While India as a developing country may want to behave in a certain manner in the WTO club, its vital internal sectors compel it to argue its case in a different manner. In addition, we have to incorporate the voices from the civil society, which we shall examine in the next chapter. Clearly, the engagement with the WTO poses both challenges and opportunities to various stakeholders in India's political economy. This will

become clearer as we take up three significant sectors of India economy - Agriculture, Textiles and Pharmaceuticals and examine the impact of the WTO agreements on them.

i) Agriculture

Agriculture remains one of the most significant sectors of India's economy as it contributes about 25% to the GDP of the country and provides employment to approximately 65% of the population. Yet India's share in the world market remains at less than 2%.²⁹ The post-Uruguay Round experience has been a mixed one for agricultural trade in India. Traditionally, the agricultural sector has been shielded from foreign competition by tariffs and non-tariff barriers including quantitative restrictions. Thus, while the goals of self-sufficiency in food has been largely achieved, the WTO regime has meant major changes in the agriculture policy, including the removal of quantitative restrictions the WTO Agreement on Agriculture (AOA) contains three main parts dealing with market access, domestic support and export subsidy.³⁰

Market access for agriculture products is governed by a 'tariffs only' regime i.e. all NTBs as in existence before the agreement have to be conveyed into tariffs. This 'tariffication' was then to be followed by progressive reduction of tariff levels. The industrial countries had to reduce these tariffs by 36% over 6 years and developing countries by 24% over 10 years. Countries like India who had not converted their Quantitative Restrictions into tariffs were allowed to have ceiling bindings, which were not subjected to these reduction commitments. India had bound its tariffs at 100% for primary products, 150% for processed products and 300% for edible oils except for certain items comprising about 119 tariff lines.

Domestic support measures are targeted largely at developed countries where the levels of domestic agricultural support has risen to extremely high levels. Domestic supports is decided into two categories viz., (a) support with no, or minimal, distortive effect on trade (often referred to as "Green Box" and "Blue Box" measures), and (b) trade distorting support (often referred to as "Amber Box" measures).

The trade-distorting domestic support is measured in terms of what is called the "total Aggregate Measurement of Support" (total AMS), which is expressed as a part of percentage of the total value of agricultural output and includes both product-specific and non-product specific support. Domestic support given to the agricultural sector upto 10% of the total value

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of agricultural produce in developing countries is allowed. In other words, the AMS within this limit is not subject to any reduction commitment.

Disciplines in the area of Export Subsidies required developing countries to reduce, over a period of 10 years, (base period 1986-90) volume of subsidised exports by 14 percent in volume terms and 24 percent in budgetary outlays. Export subsidies of the kind listed in the Agreement on Agriculture, which attract reduction commitments, are not extended in India.

The reform made by the WTO agricultural agreement was perceived as adversely affecting India's political economy. The Peoples' Commission Report on GATT stated that "the 10% limit on domestic subsidies would discriminate against Indian agriculture, and have grave implications for poor resources farmers..." Devinder Sharma argued that even a slight tampering with our agricultural system will increase our dependence on the western world and would result in foods being used as a weapon against India.³¹

The concern that post AOA, a subsidy for Indian farmers would be no longer possible is misplaced because India is under no obligation under the WTO AOA to reduce any of the subsidies given to farmers. This is because the total aggregate value of subsidies given to farmers like subsidies on fertilizers, electricity, seeds pesticides and cost of credit available to all crops as well as agricultural commodities is well below the ceiling prescribed in the Uruguay Round Agreement.

The concern about minimum market access is also misplaced. India in its schedule filed in the WTO at the time of signing the Uruguay Round, had indicated that it was not under any obligation to provide minimum market access, on account of being under Balance of Payment (BOP) problems. Even in the event of removal of Quantitative Restrictions (QRs) maintained on Balance of Payment grounds, during the implementation period, India would not be obliged to provide any minimum market access (Mishra, in Gandhi, 2003).

The hue and cry against AOA emanates from the fact that there is a basic difference between the way agriculture is treated in poor and rich countries. Thus while poor countries tax agriculture, rich countries subsidise agriculture. Since agricultural trade was in reality managed trade, it was inevitable that the reaction in civil society to support liberalisation in agriculture would be negative.

Besides, there is a clear divide between the developed nations on the issue of liberalisation in agriculture. The EU along with Japan, Korea etc. favours gradual reduction of tariffs whereas the Cairns group led by the US is in favour of complete elimination of export subsidies and

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substantial reduction in tariffs. The net food importing countries also oppose substantial reductions in export subsidies. India has adopted a two-pronged strategy to extract maximum benefit of AOA. While it favours time-bound and comprehensive phase out of export subsidies, deep cuts in domestic support and enhanced market access, it has also sought operationalisation and strengthening of S & D provisions for developing countries to ensure food security, livelihood and employment to farmers. India has, in this regard, submitted proposals in 1999 (WTVGC/W/342,343,354). Main features of these proposals are as follows:

- Give developing countries due flexibility in the green box to address non-trade concerns such as food security and rural employment;
- Support provided by developing countries should be exempt from the AMS even if it falls outside the green box;
- If in the calculations of the AMS, product specific support is negative, the WTO members should be allowed to increase their non-product specific support by an equivalent amount;
- Imports by developed countries under TRQs should not be made conditional to absorption of domestic productions. Notifications submitted to the Agriculture Committee should include details on guidelines and procedures of allotment of TRQ.
- Revise the Marrakesh Ministerial Decision on Measures Concerning the Possible Negative effects of the Reform programme on Least- Developed and Net Food-Importing Developing Countries (NFIDCs) before 1 January, 2001 to ensure its effective implementation;
- Exempt support for enhancing domestic production for domestic consumption in food insecure countries from provisions of the Agreement on Agriculture. Food insecure countries should be
- identified on the basis of percentage of populations dependent on agriculture and the number and percentage of population which is undernourished;
- Provide greater flexibility for developing countries with predominantly rural agrarian economies to allow them to adequately address their non-trade concerns such as food security and rural employment;
- Provide flexibility to developing countries in areas of import restraint and domestic subsidy for the support of subsistence and small-scale farming;
- Allow developing countries with predominantly rural agrarian economies to use border measures and safeguard mechanisms as a special and differential provision to minimise

the harmful effect that possible surges could have on food security and rural employment;

- Define concrete and operational provisions for special and differential treatment of developing countries, taking into account the experience of developing countries in adapting to the present reform process, their level of economic development, the role of agriculture in their economies with a large rural population, the need for food security, as well as the vulnerability of the agriculture sector in developing countries;
- Limit domestic support (Green, blue and amber box taken together) provided by developed countries up to an appropriate proportion of the total value of agriculture production;
- Provide additional flexibility to developing countries as a special and differential treatment;
- Abolish TRQs forthwith. If they are to be continued for a short transition period, administrations of TRQs should be made equitable, non-discriminatory and transparent;
- Measures necessary to ensure food security for developing countries should be included in the green box;
- Time- bound phase out of all export subsidies by developed countries, exceptions should be allowed for developing countries to extend export subsidies under S & D provisions;
- Flexibility to predominantly agrarian countries should be provided in any tariff reduction so that they could protect the livelihood of rural populations from possible surges of imports, • Support for maintaining enhanced domestic production for domestic consumption in food insecure countries should be entirely exempted from the provisions of the Agreement.

ii) Textiles and Clothing

Textiles and clothing is a sector wherein many developing countries enjoy comparative advantage. Thus, domestic industries in developed nations lobbied for and got high trade restrictions on imports and “by the early 1990s a global web of QRs existed.”³² The UR agreement to abolish the Multi-Fibre arrangement (MFA) and its system of quotas was seen as an important victory for developing nations. It was hoped that with the death of this arrangement, the restricted exports of textile and clothing products from developing countries

³² See Hoekman and Kostecki, "The Political Economy of the World Trading System. Chapter 6.

would receive a substantial lift. The ATC comprises nine articles and an Annex covering textiles and clothing products under section XI of the Harmonised commodity description and coding system. It is a set of guidelines, rules and procedures for the transitional period of 10 years to ensure smooth and progressive integration of the MFA provisions into the GATT rules, it establishes Textiles Monitoring Body (TMB) to supervise the application of the agreement. We have seen in Chapter Three how the quotas were to be lifted in a phased manner that suited the developed countries. However, studies such as those of Hertei and others (1996) and Harrison, Rutherford and Tarr (1996) had pointed out that South Asia would benefit significantly from this abolition - gains could be about US \$ 2 billion per year.³³ However, it was also clear that though additional opportunities would be created for developing countries, they would also be exposed to competition. Thus, the outcome for any individual nation would depend a lot on its policy response. A recent WTO study has assessed the impact of liberalisation in this sector.³⁴ It states that the welfare gains to India after implementation of the ATC, would be three times as high if combined with domestic reforms. It is true that the government woke up late to this fact and started the domestic reforms in this sector with the Budget of 2003-2004 but industrial houses like Arvind and Reliance that planned in accordance with the WTO commitments are much better placed today to reap the gains from abolition of quotas.

An important case in this sector has been on US measures Affecting Imports of Woven Wool Shirts and Blouses from India (WT/DSB/M/33 25 June'1997) which ruled in favour of India that the US restraint on the said category violated the provisions of Articles 2 and 6 of the ATC. India has also raised implementation issues in the textiles and clothing sector. They pertain to.

- 1) Importing countries should apply growth-on-growth for stage 3 with effect from 1 January, 2002.
- 2) Transitional safeguards should be avoided.
- 3) Moratorium by importing countries on anti-dumping actions until 2 years after integration of textile sector into GATT.
- 4) Council for trade in goods should examine any change in rules of origin for its possible impact on market access of exporting countries.
- 5) New import restrictions should be reported to the Textiles Monitoring Body (TMB).

iii) Pharmaceuticals

³³ See Aditya Mattoo and Robert Stern .The WTO and India". 2003, p. 55

³⁴ See The Global Textile and Clothing Industry Post the Agreement On Textiles and Clothing," the WTO Study,2004

The size of the Indian pharmaceutical market is around US \$ 4.4 billion, about 1% of the global figure of around US \$392 billion, with a projected growth to US \$ 23 billion by 2010 and a market capitalization of about US \$ 150 billion. The coverage growth in the last few years has been about 12%. It has also transformed itself from a net importer to a profitable exporter and employs approximately 3.3 million people in India. The number of manufacturing units has also grown from 2257 (in 1970) to 20,053 (in 2000). However, against this growth is the existence of the 15% to 25% substandard and counterfeit drugs that are on the Indian pharmaceuticals market.³⁵ The TRIPS agreement was initially sold to the developing countries in the Uruguay round as a means to control trade in counterfeit and pirated goods. However, we have noted earlier that the cost of implementing the TRIPS agreement far offset the gains. India, along with other developing countries was to bring about substantial changes in its patent laws to comply with the TRIPS agreement. It was correctly perceived that the introduction of the product patent regime in India by January, 2005, would imply a metamorphosis for the Indian pharmaceutical industry as it would have to gear up to face the onslaught of global competition from companies that would have patented for their chemicals and biotechnology products in India.

We shall take up the TRIPS agreement and its various ramifications on India for a detailed discussion in the next chapter. Here it would suffice to say that it is in the pharmaceutical sector that the TRIPS agreement will impose welfare costs in India and the government in tandem with the pharmaceuticals industry has to develop policies and mechanisms that serve to mitigate the

most egregious effects of the TRIPS agreement.

VOICE OF INDIA: FROM SEATTLE TO CANCUN

We have seen that India played an active role during the UR negotiations and even thereafter. But it is more pertinent to know whether India's voice has made any significant impact on the working of the WTO. The analysis in the ensuing section highlights the negotiation stances of India through the various WTO meets.

i) At Seattle: Hesitant Steps

We have taken note of earlier that there was uproar on India's joining of the WTO. By the time of the Seattle meet in December, 1999, the atmosphere among various interest groups continued to be charged with negativity. Just before the meet, the SJM co-convenor S

³⁵ See P Ganguly, 'The Pharmaceutical Industry in India', in Pharmatech 2003.

Gurumurthy “urged the federal government to adopt a cautious approach in view of the developed nations’ proposals for removal of Quantitative Restrictions on imports to the Third World countries and those on agricultural trade”.

On the other hand, as the government initiated the process of consultations with political parties and other major interest groups in the run- up to the Seattle conference, Central Trade unions representing over 40% of the country’s total work force expressed unanimous support for the governments’ stand to oppose any linkage of labour standards with trade at Seattle. They also supported the government on the need to ensure proper implementation of the existing agreements, particularly in regard to the special provisions for the developing countries.³⁶ There was a compatibility of views in the Indian Industry on sectoral issues At the time, the CII President Rahul Bajaj called upon the government for adopting a tough stand to protect national interest and opposed subsidies in the developed world “The government must give up the Hindu way of negotiating as 99% of the Indian Industry want the country to remain a member of the WTO”.³⁷

The Government agreed to put pressure on the developed countries to reduce the level of subsidies in the agriculture sector. India also stressed the need for a review of the implementation process of the WTO agreements.

Consequently, at Seattle, India resolutely opposed linkage of trade with labour standards as well as non-trade issues and also emphasised India’s implementation concerns.

Prime Minister Mr. Atal Bihari Vajpayee in his statement in the Lok Sabha on November 30, 1999 made clear India’s basic position in the Seattle meet. He said that;

- “We are not in favor of wide ranging new round of negotiations, often called the millennium Round.
 - We are opposed to relating with trade
-
- a) Core labour standards
 - b) Environmental issues
 - c) Coherent global Architecture
 - d) Investment Issues
 - e) NGO’s involvement in the WTO negotiation and
 - f) Competition policy

³⁶ See Rediff on the Net Business Report, November 15,1999

³⁷ Speaking at the CII seminar “The WTO and Indian Industry”, September 16,1999.

3. We are prepared for a few new items being taken up for negotiations provided implementation issues arising from the Uruguay Round are also resolved to our satisfaction. “ Although, as noted, the Seattle talks collapsed on precisely these issues, India hardly played an assertive role in those deliberations. This is a pointer to the fact that although our stance is at par with the public opinion in many developing countries, till Seattle, we could not consolidate our position and develop alliances.

ii) At Doha: The Lone Hand

The only real loser in Doha was India. It achieved no obvious gains except for the dubious pleasure of delaying the close of the meeting.”

Financial Times, Nov. 2001

The Doha agenda called for negotiations in four areas: trade liberalization, trade and environment, the WTO rules in certain areas and the DSU. Most developing countries including India had vehemently opposed inclusion of trade and environment.

Though India faced harsh criticism for its rigid stance, it succeeded in keeping the issue of labour standards out of the agenda. It also successfully achieved exclusion of the Singapore issues from negotiations. The declaration on the TRIPS agreement clarifying that members have the right to grant compulsory license can also be credited to India.³⁸ Secondly, India also got concessions on a number of implementation issues

Though at the time of presentation of the draft declaration, “India stood well and truly isolated,” India’s threat to not agree to a consensus and to perhaps even pullout from Doha, led to the significant change that the Singapore issues would be taken up only after next ministerial conference by explicit consensus.

However, what emerged more stronger was the ‘negative’ label that stuck to India. By taking an extreme position and by public opposition of the launch of a new round by Commerce Minister Maran, India not only was termed ‘obstructionist’, but the newly agreed round - The Doha Development Agenda, became evidence of India’s ‘defeat’. India became an easy target of criticism, “it could have instead taken the high road by supporting trade liberalization agenda unequivocally and positioning itself in favour of a round that focused on this central function of the WTO.”³⁹

³⁸ See Arvind Panagariya, “India Arrives at the WTO,” The Economic Times. November 21, 2001

³⁹ idbi

In fact, prior to the Doha meet, there had emerged a view that India needs to be circumspect at Doha⁴⁰ and accept the political reality that India can not deflect the course of events being increasingly dictated by Washington and Brussels “where the world’s puissant bureaucracy holds sway.” At least India could refrain from expressing itself against the launch of a new round at a time when the world’s trade majors are determined to initiate one. In the ultimate

analysis, “India’s cannot be a voice in the wilderness when the rest of the world chimes into the tunes of the elephants.”⁴¹ Thus, while the then Prime Minister Vajpayee stated that the rationale for India’s insistence on not expanding the agenda of the next the WTO Ministerial Meeting “is shared by many developing nations and also by many people in the developed nations,”⁴² India got the most flak at the end of the Doha meet.

That India’s fears were proved correct later, and the Doha Development Agenda turned out to contain everything but development, didn’t cover the loss of image faced by India earlier.

We have already examined in Chapter Two as to how the Doha i Development Round ran into rough weather. The Joint Statement of the NGOs³⁶ and social movements denounced it as a development disaster because:

- a) It did not make any significant progress on developing countries' implementation concerns.
- b) There was no real commitment to support the concept of food sovereignty.
- c) Does not resolve any of the negative consequences of the TRIPS agreement, including bio-piracy and prevention of the fulfillment of basic consumer rights.
- d) Launches negotiations for market access on industrial products which will pressurise developing countries to further reduce their tariffs.
- e) Facilitates the liberalization of natural resources such as water in the guise of eliminating barriers to environmental goods.
- f) Reduces and trivializes substantial development concerns as a matter of technical assistance.

The Indian Governments’ position is not very different from the above. Yet, it is tragic that the world’s largest democracy is unable to make its logical, pro-people and pro-development concerns a part of the multilateral trading regime. It is also cause for worry. And we shall take this further in our last chapter.

In India too, there was criticism of the way India negotiated. While it entered the Doha meeting with strong statements that the WTO is not a global government, Mr. Maran’s resistance was

⁴⁰ See G Srinivasan's article .June 22, 2001, Financial Daily. The Hindu Business line

⁴¹ See Frontline. December 7,2001

⁴² See his statement onAugust,20,2001 .available at www.tradewatch.org

not as successful as it should have been. In fact, as Prakash Karat, CPI(M) has stated India lost its credibility in creating a bloc of resistance or leading other countries. “In Doha we tried to live up to our past image of a unifying force but we have not been successful in our efforts.”⁴³

iii) Caneun Fails but India Succeeds?

Though the Caneun talk could not result in successful conclusion of 1 negotiations (See Chapter Three), India played a more assertive role and greatly enhanced its bargaining capacity by playing a leading role in G-22, Back home, the BJP hailed India's stand, “by forgoing two separate and influential alliances, on agricultural subsidies and Singapore issues at the WTO summit in Caneun, India had emerged as the leader of the developing countries.” The Minister of Law and Commerce Mr Arun Jaitiy’s tough and skilful negotiating stance played an instrumental role, specially in deciphering the interpretation of ‘explicit consensus’ regarding Singapore issues.⁴⁴ He also criticized the lack of internal transparency in the WTO’s decision making process.

His statement focused on India’s concerns on achieving developmental goals through trade liberalization:

“The developing countries participate in the multilateral trading system in the hope that this would lead to their economic development and not because trade liberalization is an end in itself.”⁴⁵

Although the Caneun meet, did not ensure better gains for India, it did mark a welcome change in India’s negotiating strategy is a welcome one. However, a more proactive approach is still required. For instance in Agriculture, though India had proposed introducing restrictions on imports to safeguard the interests of farmers, the Harbinson Draft ignored this. India expressed its criticism on the Harbinson draft, but it should have presented an alternate farm draft at the WTO.⁴⁶

Wadhwa has laid down post-Cancun agenda for India which should be more positive and proactive and should “identify and articulate their concerns with the asymmetries creeping into the multilateral trading system and seek their redressai with effective coalition building.”⁴⁷

⁴³ Over 141 organizations (including organizations such as NWGP, RFSTE from India) were signatories to this statement, on January 26, 2002, available at Third World Network.

⁴⁴ See The EconomicTimes. 16 September, 2003 on ‘the rise and rise of Jaitley’.

⁴⁵ See Arun Jaitley's statement, Ministerial conference, Cancun 10-14 September 2003.

⁴⁶ See Ashok B. Sharma, "India should present Alternative Farm Draft at the WTO", Financial Express. 10 March, 2003.

⁴⁷ See C.D. Wadhwa's paper "Post Cancun WTO perspectives India's Negotiating position as a developing country, 2003.

Matoo and Stern have also suggested the following reforms as a capacity building agenda for India:⁴⁸

1. There is a need to improve implementation of supportive measures under multilateral environment agreements and to examine to what extent the multilateral trading system can help remove possible obstacles to better implementation.
2. There is a need to examine the consistency of TRIPS provisions and the Bio-diversity Convention, especially in the areas of biological resources and traditional knowledge system.
3. There is a need to strongly resist unilateral measures on the grounds that all unilateral measures that are extra jurisdictional and based on non-product related process and production methods would fail the chapeau test of GATT Article XX. A comparative evaluation of the WTO jurisprudence in this context would be useful. India's Ministry of Commerce has begun discussion groups on the evolution of the WTO law in this field, but India needs to generate public awareness of these issues and to develop a media strategy.
4. Implementation of TRIPS Articles 67 and 66.2 on transfer of technologies to developing countries and to the least-developed countries is needed.
5. A mechanism should be devised under the existing code of good practices for voluntary measures to avoid the use of trade-discriminatory measures based on PPM-related requirements.
6. There is a need to build consensus on certain concepts to be considered in developing and implementing newly emerging environmental measures with trade effects, particularly for India.
7. It may be necessary to examine whether differential treatment for small and medium-size enterprises (SMEs) is available within the existing framework of the WTO rules, because a large proportion of India's exports comes from SMEs.

⁴⁸ Mattoo, Stern, supra note 25, p. 320.

CHAPTER-5

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 order⁴⁹

India's Commitments to WTO

⁴⁹ S.K. Misra and V.K.Puri, "Indian Economy", Himalaya Publishing House, Mumbai, 2002, pp. 643-644.

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:

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 Agreement⁵⁰.

⁵⁰ S.K. Misra and V.K.Puri, Op.Cit. p. 642.

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 (up to 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).

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Table-6.1
Commitments by Member Countries Under AoA

Particulars	Developed Countries (6 years: 1995-2000)	Developing Countries (10 years:1995-2004)
Tariffs		
a) Avg. cut for all agricultural products	-36%	-24%
b) Minimum cut per product	-15%	-10%
Domestic support		
Total AMS cuts for sector (Base period 1986-88)	-20%	-13.3%
Market access	3-5%	3-5%
Export subsidies		
a) Value of subsidies	-36%	-24%
b) Subsidised quantities (Base period 1986-90)	-21%	-14%

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 upto 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. d*ue 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. Th[^] 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 arc 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 ha 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 upto 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.
7. Illiteracy and ignorance in agri-business.

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 will dramatically change the agricultural scene 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***

(US\$ million)

	1995-96	1996-97	1997-98	1998-99	1999-00
Marine products	1012.31	1129.86	12081.72	1038.15	1181.55
Cashew	367.97	362.41	377.13	386.76	566.42
Tea	350.63	292.38	505.47	538.29	407.99
Basmati rice	254.69	351.74	454.10	446.03	401.10
Spices	237.58	338.92	379.76	387.96	393.23
Castor oil	222.31	176.84	155.21	159.72	245.37
Guargum meal	68.02	100.40	146.82	172.93	189.15
Tobacco unmanufactured	113.38	186.21	247.17	136.00	184.87
Processed fruits and juices	61.25	59.05	73.51	69.12	113.29
Pulses	39.47	37.10	97.22	53.00	93.56
Seasame and niger seeds	77.02	77.61	81.51	79.07	85.88
Tobacco manufactured	20.40	27.15	41.15	45.03	44.55
Poultry and Dairy products	17.59	34.90	31.80	23.04	22.76
Floriculture products	18.01	17.87	23.37	25.18	20.94
Shellac	18.78	14.75	15.65	15.52	18.85
Fruits/vegetable seeds	12.32	11.86	14.41	15.35	15.55
Cashewnut shell liquid	0.43	0.78	1.93	0.98	0.50
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 a 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.

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" coauthored 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 organized 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 organized 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 substitutes⁵¹.

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 comprises mills, power looms, 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 Textprocil and the Synthetics and Rayon Export Promotion Council for

⁵¹ Sanjiv Mathur, "Cooperator", Published by Bhagwati Prasad, New Delhi, Vol XXXIX, No. 4, Oct. 2001, p. 179.

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 labour⁵².

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 MEN 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 filed 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

⁵² Vijaya Katti and Subir Sen, "Foreign Trade Review", Published by P.K. Gupta, New Delhi, Vol. XXXIV, No. 3 & 4, Oct., 1999-March 2000, p. 102, 103 & 105.

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 indigenous 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:

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.

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.

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.

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 exorbitantly 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 under represented in India.

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.

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.

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, amoxicillin, 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.

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 predominate over other forms 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

Globalization 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 globalization 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, worker 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 have the potential to open up all aspect of a national economy to foreign competition. There are several income generating services include brokerage, communications, no 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 studies environmental, educational and counseling 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 recognizes the work already under taken 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 under developed as many other developing countries have yet in terms of new agreement, it will be required to denationalize 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 nationalized. 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 than 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.

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 modernizing 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 tourist's 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 leads 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 liberalization 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 out put 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 company's press the government to allow the present tax structure continues 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 favours 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 reduces 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 want 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 standardized 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 affect 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.

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 tones 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 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 products⁵³.

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 per centage 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 2011-2019.

⁵³ H.G. Hegde, "Yojana", Publication Division, New Delhi, Vol. 45, Dec 2001, pp. 34,35 & 43.

CHAPTER-6

CONCLUSIONS AND SUGGESTIONS

A summarised version of the research work is presented in this chapter. It also records the conclusions drawn on the basis of the critical review of the economic liberalization process kicked off with the establishment of World Trade Organization and implementation of WTO trade and tariffs regime in India. An attempt has also been made in this chapter to present some important suggestions to exploit the emerging opportunities and to face the challenges to which the country has been exposed by signing the WTO and initiating the process of globalization. Chapter first introduces the objectives of the study, sets out the hypotheses, explains the research methodology and makes a review of available literature on the topic of the study.

The deliberations in this chapter find that WTO has influenced the world trade environment significantly since its inception in 1995. The liberalization process has brought tremendous changes in Indian economy. It has created ample opportunities as well as has posed serious challenges especially before the developing countries. It highlights the need for India to adopt measures that facilitate stronger performance of Indian economy in the globalised world.

The second chapter elaborates that the basis of international trade is of course the comparative advantage to various countries in terms of factor endowment, technological advancement and capital formation. There have always been the conflicts of interest between the trading countries and therefore motivating each of them to protect their respective domestic industries through different methods of protection is imperative.

The chapter further highlights that India, an ancient economic giant could not reap the benefits of international trade due to British exploitation of Indian economy. Almost two centuries ago when India was not independent, developed countries searched for markets for raw materials, sale of finished products, etc. Then imperialistic trend was started. The developed world needed ever expanding markets as they introduced mechanised production resulting in increases in output. The colonies like India were exploited by indiscriminate exploitation of natural resources and its exports to ruling countries at low prices on the one hand and the finished goods were sold at high prices in India on the other hand, leading to two-fold exploitation. It was almost a consistent process of soaking water of Ganga and sponging it out at river Thames.

The legacy of exploitation continues even today with terms of international trade unfavorable to the less developed countries. The advanced countries have been receiving extremely favorable gains and also terms of trade. If this is true then the benefits of international trade are going largely to rich countries. It is leading to increasing inequalities in income and wealth, trade and growth rate, etc., between the developed and the developing countries of the world. The advanced countries accounted for 57 per cent of world exports while the share of LDCs (Least Developed Countries) in world exports is roughly 35 per cent. Almost two-third of LDCs exports are still absorbed by the advanced countries. In order to get increasing gains from restricted international trade they have started using tariffs and non-tariff barriers to promote their economic growth. Even now advanced countries of North America, Western Europe and Japan use highly protectionist policies. The MNCs of these developed nations show concern for development of underdeveloped countries but are all out to exploit the latter for their own benefits.

Thus, there has been an undeclared trade war. The trade policies of industrial countries have serious repercussions on the rest of the world particularly the LDCs and unless reversed, these policies would harm the liberal world trade regime.

Chapter third is devoted to the study of world trade under GATT regime. It has discussed the objectives, membership, principles, articles, functioning and gains, as well as exploitative potential of GATT system. More than two third of the countries of the world including developed and developing are the members of it and about 80 per cent of the world trade is carried out by these member countries. The representatives of these member countries collectively form the Ministerial Conference to discuss all the trade related matters and make out solutions under the Multilateral Trade Agreements.

There are nine principles of General Agreement on Tariffs and Trade which applied on all the member nations and one can not ignore them. These principles are- principle of trade without discriminations, principle of protection through tariffs, prohibition of quantitative restrictions (QRs), removal of barriers to trade through negotiations, restraint on the use of subsidies, rules regarding the levy of countervailing and anti-dumping duties, rules governing safeguard actions, consultation and principle of stable basis of trade.

The different articles of GATT provide various bindings and opportunities to its members. These articles and their implication have been discussed in detail in this chapter.

The eight multilateral trade negotiations of GATT were held to discuss and negotiate on different issues. They started from 1947 and lasted till 1994. The first round of GATT was held at Geneva (Switzerland) in 1947, the second at Annecy (France) in 1949, the third at

Torquay (England) in 1951, the fourth took place at Geneva (Switzerland) in 1956, the fifth called Dillon Round was also held at Geneva (Switzerland) in 1960-61, the sixth was Kennedy Round and it was again held at Geneva (Switzerland) in 1964-67, the seventh round (Tokyo Round) was held in Tokyo (Japan) in 1973-79. The eighth and the last round of GATT negotiations called Uruguay Round was held at Punta del Este (Uruguay) / Geneva 1986-1994. It is observed that in its working of more than 50 years GATT made tremendous progress in the field related to liberalisation of world trade which led to higher growth rate. Every country wants to get more benefits from it. At least two third of its members are from developing nations. GATT treat all member countries (developed and developing countries) equally. There is give and take aspect in the GATT. Some conditions go in favour of developed countries which may adversely affect the developing countries while some other provisions of GATT favour the developing countries which adversely affect the developed countries.

No doubt, GATT is more favourable to developed countries and encourages their MNCs. It is infact, a rich man's deal. The developed countries are the big bosses and imperialists in the world. They liberalized their trade from developing countries but raised the tariff barriers when developing countries tried to export to them.

India joined the GATT for trade liberalisation and to negotiate with the world. India gained from Most Favoured Nations clause, reduction of tariffs on manufactured goods and increase in foreign trade and global income. Many trade related problems or disputes India has from any country have been resolved by GATT. In the absence of GATT India would have to depend upon bilateral agreements which would have been relatively much more complex.

However, the provisions of GATT are such that the leverage or favour was largely tilted towards the developed nations and GATT was even named as 'Rich men's Club' by the developing countries.

The Uruguay Round of talks gets a detailed treatment in chapter- IV, which gives a brief idea of Dunkel Draft as the main outcome of Uruguay Round. The Uruguay Round covers fifteen negotiating groups in which 14 are related to goods and 1 is related to services. Amongst these rounds the TRIMs, TRIPs and MFA are of crucial importance which emerged from Uruguay Round of GATT. The TRIMs open the door of financial services sector. Under this, member countries are permitted to adopt their own foreign investment policy. The agreement on TRIPs cover the areas of patents, property, trademarks, copyrights, industrial design, integrated circuits and trade secretes. It encroaches the country's sovereign right to frame its own legislation or intellectual property matters. The MFA (Multi-Fibre Arrangement) relates to trade in textiles and clothing. Under this arrangement the importing countries such as the US,

Canada, Austria, Norway, Finland and European Union impose quota restrictions on imports from developing countries and are now required to slash it down.

As far as developing countries are concerned the Uruguay Rounds may hurt them. As the developing countries are substantial importers of food from developed countries and it is possible that the developed countries may increase the prices of products of most of agricultural commodities such as wheat, rice, meat, dairy products and sugar. While the developed nations take advantage of this opportunity in the name of better quality, patenting the product and restricting the agricultural and other products' import.

Thus in this process, the poor or developing countries are ignored.

The overall implications of the Uruguay Round Treaty are more severe and adverse for LDCs/developing nations than the economic independence and autonomy in the development aspirations of the developing countries. The developing countries including India realize that the price of development is becoming high due to the increasing non-tariff barriers and lesser access to modern technology.

Chapter-V deals with the study of the theoretical foundation of World Trade Organisation since 1995 for liberalising the trade barriers in world trade. In the beginning GATT and WTO coexisted because all member countries were not able to ratify the WTO. Therefore, it was decided that WTO will continue side by side for a year, but after one year, GATT ceased to exist and WTO became a permanent and legal organisation.

This chapter also discusses the objectives, principles, functions, structure and several Ministerial Conferences under the auspices of the WTO. Till date WTO has organised ' four Ministerial Conferences viz, first at Singapore in 1996, second at Geneva in 1998, third at Seattle in 1999 and fourth at Doha (Qatar) in 2001. The next Conference of WTO will be held in Cancun (Mexico) in 2003. The chapter further elaborates general implications of WTO on the world economy.

The joining of WTO by the government is aimed at providing free and easy access of world trade to industries, manufacturers, investors, consumers, investment, employees which may facilitate low prices, employment in international market. The WTO has equal opportunities and challenges to different economies. As WTO opens world markets by reducing tariff barriers, better benefits to entrepreneurs are possible.

It created challenges by reducing tariff barriers by opening world market for free entry of foreign goods. This has intensified competition in the domestic industry. Thus, exports market fast become tough due to competition among developed as well as developing countries.

At WTO the legacy of division of world into two parts i.e., developed and developing nations continues. In the process of meeting the concerns of the developing countries, the WTO has made many provisions but also dictates terms and conditions so much, so that, most of the provisions have tended to be rigid and exploitative for the developing countries. On the other hand the developed world too has also been asked to give concessions to the developing world in terms of reduction in tariffs. The process of reducing tariffs at developed nations is proceeding at a snail's speed and they expect quick quid pro quo from the developing world for which they are virtually forced. Many of the developed nations stick to non-tariff barriers like anti-dumping or environment issues etc. to protect their own markets and industries.

Thus for all practical purpose they make their markets more inaccessible for the developing nations and have sabotaged the very spirit of WTO.

In order to make it a success and to experience freer flow of world trade the WTO need to work harder with the developed world.

Likewise the rules of the WTO remain imbalanced and are more favourable for developed countries (rich countries) especially for corporate interests of developed countries because they have good command in superior technology and hold a developed marketing structure and finance.

Therefore, an economy to gain from trade liberalisation need to be competent enough to face global challenges and compete with MNCs. The economies have to give emphasis on infrastructural development and use of modern technology in production, development of human

skills, cost reduction measures, quality improvement by modernization and up gradation of products and have to continue domestic economic reforms.

It is observed in this chapter that in the World Trade Organisation a game is being played by rich countries in having the interest of their MNCs served. Few imperialists of developed countries are the big bosses of the world economy and try to make their rules in accordance to have greater advantages from others. They want free trade to increase market access in developing and less developed countries but in their own home industry they increase protection regarding their new products, industries and technology.

Chapter-VI highlights the impact of WTO on Indian economy. The critical review made under this study reveals the specific impact of WTO agreements in important sectors of Indian economy as follows:

Agriculture: The objective of the WTO agreement is to establish a fair and free market access to the agricultural products. As per the agreement, all agricultural tariffs will be reduced by an

average of 36 per cent in a period of six years and 24 per cent in a period of ten years by developed countries to facilitates trade of the developing countries. This would help India no doubt. By tariff reductions import become cheaper which will effect the domestic market of India. Reduction in export subsidies on farm products in the developed countries will make the Indian agricultural exports more competitive. By this agricultural exports will increase.

WTO is expected to pose the most serious threat to Indian agriculture. Agricultural productivity in India is less in comparison to developed countries. Majority of the farmers are marginal and small. Lifting of the QRs on the food imports, withdrawal of subsidies from the farm sector and enforcement of the TRIPS would compound the problem. One of the most threatening point of WTO would be the easy availability of cheaper and better quality of foodgrains. Horticultural and Dairy products will also be affected. Permission to import fruits and dairy product under Open General License (OGL) has facilitated the availability of the best quality of fruits, fruit products and dairy products at cheaper rates. Unless the farmers are able to increae productivity of their lands, they would not be able to compete with cheaper imports. Withdrawal of subsidies will increase the prices of all inputs. The prices of fertilizers, irrigation, chemicals and seed would go up and cost of production will increase. It will be extremely difficult for the smaller farmers to survive in the market. Countries with very low cost of production and excellent food grain quality, having massive surplus stocks would flood the Indian market with their produce. This would render the Indian food grains in competitive globally.

Textiles and Clothing: By exports of textiles from a number of developing countries including India enjoy advantageous position. India will be able to secure large share of low and medium priced garments export market because of cheap labour. But on the other hand developed countries restrict their import in textiles and clothing through quotas to protect their domestic market. Thus the benefits that are likely to occur from exports of textiles and clothing will be minimal. Rich countries are trying to bring child labour and environment issues into trade which is unfavourable to India.

TRIPs: The important area of TRIPs is patent. Under TRIPs agreements from the plant, animals, medicines, micro-organism, and genes to industrial bio-technology are patented. The patenting system will increase the prices of Indian products especially in the sectors where India has comparative cost advantage which will lead to a tough competition. This will affect the producers and ultimately the consumers of India. Another aspect is that India has paucity of fund so it can not get patented its products and TRIPs rules are binding for every country. Some countries have enforced TRIPs while others would implement them in few years.

Another effect is that India can not use the products which have been patented by other countries. It will have to pay higher prices and royalty for the use of these products. The patent holders have a monopoly to use their products. To get patented the same product India has to wait for next 20 years when the current patented tenure expires. When India patents these products and start production there may be possibility that the product value will get undermined by the new product in the market.

On the other hand this agreement will improve investment planning and flow of foreign private investment into India. The industrial sectors which invest in research and development will be benefited as they would get patented their inventions and innovations.

TRIMs: When various multinational companies make their investment in India there will be possibility of merger and acquisition of Indian company with MNCs.

But on the other sides foreign exchange earnings will enter in India and investors will come with advanced and latest technology. This will be beneficial for India.

GATS: Under the agreement on trade in services most favoured nations treatment must be extended from the supplier of one country to the supplier of another country. It means that the services like banking, insurance, investment, tourism, health etc. will be bound by the WTO agreement that the market access should be open to all these services in different countries.

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

Through liberalising trade in services the qualified people of India would get good job opportunities abroad in hotel, accounting, computer software, engineering, financial consultancy services etc. But on the other side computerization in service sector would bring structural changes in employment. Traditional job seekers would find it difficult to get job unless they equip with computer knowledge.

Small and Medium Enterprises: WTO provisions for reduction of tariff rates and removal of quantitative restrictions would provide easier market access. But in International trade people will buy imported products with latest technology and at cheaper prices which will lead to competition in all products of small scale industries. And the Indian small scale industries can not stand against MNCs because of huge technological gap. Thus Indian SMEs would face competition not only from MNCs but also from Indian large companies.

Thus, there are numerous implications of WTO agreements enforcement. It provides opportunities, advantages, as well as disadvantages. The most of the clauses of the agreement have been framed in such a way that the real benefit goes to developed nations. The agreements

regarding agriculture, agro based industries have good potentialities, but agreements regarding TRIMs, TRIPs are discriminatory and deal in such a way that lead to unjustified competition. The economic status of the developed and the developing countries are different and developing countries are not capable to respond to the competition. It is like "equal treatment to unequal". Under the existing circumstances, the developed countries would be able to utilize resources of developing countries and resultantly there will be huge accumulation of wealth in their economy.

Moreover, at WTO largely the small and poor countries are ignored and they are not allowed to succeed to show themselves. The richest 20 per cent countries of the world's population consume 86 per cent of the world's resources whereas poorest 80 per cent countries of the world's population consume only 14 per cent of world's resources.

Developed countries introduce new issues if they expect that developing countries have comparative advantage in an agreement which is unfavourable for developed countries. Such as introduction of labour standards pertaining to export of textile, carpet etc., in which India has

Comparative advantage in international trade by cheap labour. Consequently this aspect goes against India to compete in international market. Further, WTO rules are not transparent. Some time selected countries are invited in its Ministerial Conferences while other countries do not know what negotiations are taking place. They are not informed and not allowed to attend the meeting. Still some times rich countries coerce smaller countries to agree to the new rules and decisions, otherwise there will be arm twisting exercise in negotiations. Thus, its implications are more severe for developing countries. The only way to face the challenges in these situations is that, developing countries including India should upgrade their technology, improves managerial effectiveness, developed - cost - quality effectiveness in their products and ensure reliable governance in their country.

Suggestions

Given the fact that India has signed the WTO agreement way back in 1995 making the globalization a fate accompli for the nation. There is no room for the debate that wither the India should proceed further on the path of globalization or should opt out. The clarion call of the day is to assess the present world economic environment, to evaluate the various provisions of WTO and then prepare our domestic policies.

India on the one hand, will have to face challenges from the technological and financial soundness of the developed world and, on the other, will have to compete with the exporters of developing nations having similar advantages that India is having.

In addition to above said challenges there are ample opportunities that have emerged with the establishment of WTO. By adopting a cautious trade policy and with entrepreneurial skills India may be able to draw benefits from these opportunities. Some of the important suggestions on different issues that may influence India's position in the new world economic order are listed below:

Agriculture

1. The WTO provisions have created wide range of implications for the agricultural sector. On the ground of having a negative balance of payment India has been able to escape most of the negative effects of these provisions at least for next few years. This available time period may be utilised by India by aggressively adopting the newer technologies used by the developed world in order to increase the productivity per hectare. We need to go for another green and white revolution, so that we not only become self sufficient in food but are also able to export by exploiting the provisions of WTO that facilitate increased market access of the developed world.
2. Poor rural infrastructure in the primary sector needs strengthening.
3. India should encourage the private capital in the field of irrigation and mechanization of agriculture. This would increase productivity and reduce the cost of production per unit, making the Indian produce internationally competitive.
4. There is need of new orientation to the post harvest management of agricultural produce.
5. Improvement in the internal marketing procedures are called for.
6. Shifting of food grains to the cash crops like tea, coffee, cotton, sugarcane etc. may be considered. It will support industrial sector as well as create exportable surplus with the Industrial sector.
7. India should encourage and restructure the Research and Development as per requirements of farmers in the areas of biotechnology, seed developments and tissue culture etc.
8. There is a need for working out a correct policy for the farm sector.
The farmers are required to be educated about the implication of the WTO agreements.
9. Special economic zones should be created and they should be given preferential treatment.
10. India's agriculture has to re-shape itself in such a manner that we exploit potentially favourable situation and get maximum benefits.

Minor Forest Produce

1. Steps need to be taken towards more dissemination of knowledge about Scientific Procurement and Processing of Minor Forest Produces (MFPs) to enable the cultivators/collectors to develop their skills and to improve expertise in marketing the products.

2. Various government departments both at the centre and the state level should act in a concerted manner to make the growers/collectors more aware of the market practices and undertake training programmes towards primary processing, value addition and other aspects of marketing of agriculture and forest products.

There must be a convergence of these efforts of all the concerned departments at the village level.

3. Evolve a system of appropriate quality standards for major agricultural and forest commodities. These standards should explicitly incorporate the requirement of other countries.

4. Provide infrastructural facilities such as cold stores, warehouses, testing laboratories, etc.

5. Even though the cooperative societies have been largely unsuccessful, a programme to revitalise them through proper management and constitution of cooperative societies with genuine growers participation both in management and in the decision making process need to be attempted, with avoidance of the system of nomination of members by the Government.

Textiles and Clothing

1. Before exporting the products Indian manufacturers and exporters should properly segment the market on the basis of countries, age, culture, class, sex etc. Indian manufacturers and exporters need to study which particular product is highly demanded in a particular country or countries, then produce those type of quality products and sell them accordingly. This will increase the exports. For example in India the high class people demand high quality of products with latest designs and prints whereas the middle class people prefers good quality of textile at reasonable rates. Thus for textile exporters of India, segmentation on the basis of income will be beneficial.

2. Indian textile should have exclusive design and create a product image in the international market.

3. Indian exporters should be encouraged to actively involve themselves in the promotion of textile products through publicity/ advertising, personal visits to foreign countries to emphasise the image of the products as well as company, participation in international trade fairs and participation in buyer - seller meets organized by various export promotion agencies.

TRIPS

1. TRIPS is one important challenge before India under the provisions of WTO. Indian industries are likely to get initial jolt by this Act.

However, there are industries which can get their products patented and take similar benefit. Computer software technology is such an example.

2. Needless to say that with the implementation of the product patenting the total production of few goods may get adversely effected and consequently there could be a demand and supply gap which need to be taken care by the government atleast in the short run. The short term arrangement would help the nation to avert any short run crisis in relation to a product of necessity.

3. Further the Patent Act is likely to hit the drug market more severely and in all likelihood the prices of most of the essential and life saving drugs will shoot up (as discussed in chapter six). It is suggested that government need to evolve a public distribution system which facilitate life saving drugs to, atleast, the masses living below poverty line at affordable prices.

4. It is shown in chapter six that despite patenting there is wide price difference in America and in Pakistan for the same medicine (for example the prices of Reindicting/Zincate drug in USA were Rs.744.65 whereas in Pakistan its prices were Rs.260.40). India has similar advantage as in Pakistan, thus even after patenting the products that we produce price may be much cheaper when compared to the medicines produced in America / USA. This would create better export opportunity for India.

TRIMs

1. Encourage larger investment in the area of production where we have comparative advantage.

2. Multinational participation must be invited in the infrastructure development sector, like cold stores, warehouses, testing laboratories. By this India will get technical advantage.

3. The Indian Industries still are running on outdated and obsolete technologies. The world is changing fast and for that we have to adopt latest technology either through foreign collaboration or any other method. In the short run, the foreign exchange will flow to developed countries but in long run this will reduce technological imports and further huge foreign exchanges outflow.

By adopting latest technology we can face global challenges and can compete with other countries like China, Japan etc. This will create a goodwill of India and increase its share in world market.

GATS

1. The WTO also provides for inclusion of services. Though India may not compete with the services provided by developed nations; but may definitely compete with the other developing and less developed countries. Some of the managerial and technical collaborations may result in substantial positive changes in the Indian service sectors.
2. India should improve its quality in service sector by which it can compete and be acceptable in international market.

Small and Medium Enterprises

1. A technical information section and an industrial training institute testing laboratories, general engineering workshops, common tool room, small industry extension centres, raw material depots and marketing agencies should be set-up for the benefits of entrepreneurs.
2. The State Industrial Development Corporation (SIDCO) and Directorate of industries should establish their branches throughout the country to develop new Industrial Estates and also to look after the problems faced by small scale industries such as lack of finance, shortage of powers, lack of proper marketing set-up, obsolete technology etc. and take necessary action for the removal of problems of entrepreneurs.
3. Today, banks are charging 3 to 4 per cent more than Primary Lending Rate (PLR). Taking into account the service charges, hidden charges of banks, panel interest etc., the funds are available at not less than 16-18 per cent rate of interest. The possibilities of restoring the earlier practice of specifying the maximum rate of interest instead of the minimum as at present-should be explored.
4. Taking into account the strain on the banking system with respect to non-performing assets, the banks are cautious in sanctioning loans to SME units. It is highly desirable to delink them from priority sector lending so that the number of defaulting accounts comes down and more finance will be available to SME units.
5. The institutional credit available to SME units was quite inadequate.
It is suggested that other financing agencies like NBFCs, Mutual Funds should be allowed to lend to SME Units.
6. There is a need to increase employment and productivity per employee in the SME sector to make them more competitive. Suitable training programmes may be evolved.

Quality

1. The developed nations are very conscious in the quality of the products. They have enough resources to buy the quality products.
Thus Indian exporters should provide goods and services at the quality level which are in demand in international market. The quality should be improved by mechanisation and upgradation, in the existing technology. By this Indian products can get favourable and preferential acceptance.
2. In India no attention is paid on the packaging of the product, whereas most of the countries are spending lot on good packaging because it is the packaging which induces the customers to purchase the product. It creates temptation to buy the product, and leaves good impression

in the mind of the purchasers. If the product with improper packaging goes to international market it can not create a goodwill in the mind of the customers and loses its identity. Thus it should be properly packaged. The people who are quality conscious are ready to pay higher prices.

Cost

1. India is the country with huge population and it is assumed that it has the advantage of low labour cost leading to low cost of production. The Indian manufacturers should make efforts to reduce cost of production by reducing wastages due to electricity failures, strikes, lockouts and make optimal utilisation of resources, efficient utilization of available technology etc. Many of the countries like China, Bangladesh etc. are supplying their products at lower prices. Therefore Indian manufacturers lower their cost of production which help in domestic as well as international market.

2. The Indian manufacturers should be provided with high quality of raw materials at reasonable prices, credit at low rate of interest and infrastructural facilities like stores, warehouses, testing

laboratories, etc. should be improved. This will help them to be more competitive with improved quality and reduced cost of production.

3. The price of primary commodities of special interest to developing countries should be stabilised through international agreements and assistance should be given to developing countries in diversifying their commodity sectors.

Tariffs

1. Import policies require further simplification and import tariffs need to be reduced in view of the challenges faced by the country in new WTO regime.

Technology

1. The world is changing fast. Manufacturers should make themselves aware that what changes are taking place in the fashion trends, tastes, technology, etc. The manufacturers should be ready to adapt the changes and produce according to the emerging demands.

The study concludes that it is time India should focus attention *to* the challenges posed by WTO to various sectors of Indian economy. Steps should be taken by taking into account the above suggestions to tackle the implications of WTO regime effectively. If India takes this lead the other developing countries would follow suit giving the right to India to lead them in the WTO.

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