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## WTO and India – Agreements and Arguments

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**Abstract:** *The establishment of the WTO – which is celebrating its 20<sup>th</sup> anniversary in 2015 – was a “dream comes true” for international economists and policy-makers. It ushered in the era of modern globalisation. The WTO through its Principles and Agreements has been significantly influencing the global business environment it also has the domestic business environment in the member-countries. India, one of the founder-members of the WTO has had to substantially liberalise her imports paving the way for increasing competition for domestic firms, mainly by the MNCs. India, a less developed agrarian economy has many challenges to face post WTO. Liberalisation comes with a cost for man-in-environment. This paper examines some of the gains and pains of India as far as WTO is concerned. It suggests “managed globalisation” rather than anti-globalisation per se.*

**Key Words:** *Anti-globalisation, India, TRIMS, TRIPS, GATS, WTO*

### Introduction

The World Trade Organisation (WTO) – the successor of the General Agreement on Tariffs and Trade (GATT) – is a Multi-lateral organisation which facilitates the free flow of goods and services across the world and encourages fair trade among nations. Keynes in the 1930s had intended that alongside International Monetary Fund and the International Bank for Reconstruction and Development, an international clearing union – with the name, “International Trade Organisation” – be set up. The entry of WTO in international trade has not only forced countries, manufacturers and exporters to have a rational tariff structure but also created an umbrella under which negotiations and decisions for commodities, capital, services, and (intellectual) property rights could be done for the sake of consensus. The WTO came as a result of the Uruguay Round (UR) of Talks or Agreement. The result is that the global income increases due to increased trade and there supposed to be overall enhancement in the prosperity levels of the member nations (193 as in 2015). India has been a WTO member since 1 January 1995 and a member of GATT since 8 July 1948. It is one

of the most active members too. It has been a party to various disputes discussed in WTO forum – so far – 21 cases as complainant, 23 cases as respondent, and 114 cases as third party. Was it good for India to become a member of the WTO? India with its vast population, developmental urges, long history of trade, and growing foreign investments, cannot be left behind in multilateral agreements. India's emerging economy and modern globalisation owe much to its role in WTO. India's share in world trade today is more than 2.5% while it was only 0.53% in 1990-91. Indian agriculture, exports and imports, capital market, employment scenario, etc. have been largely affected by the agreements under WTO regime. This paper tries to examine the overall impact on the Indian economy.

### **India: Gain or Pain?**

By being a WTO member, India also avails the Most Favoured Nation (MFN) Treatment and National Treatment for its exports to other WTO members. Some counter this argument saying that India will not gain much from WTO because –

That WTO is fundamentally democratic and transparent is questionable. Citizen inputs by consumer, environmental, human rights and labour organisations are consistently ignored.

Will the WTO make us safer? On the contrary, the domination of international trade by rich countries for the benefit of their individual interests fuels anger and resentment that make us less safe. Moreover it is not a world government and no one has any intention of making it one. This was stated on 29<sup>th</sup> November 1999 by the then Director-General of WTO Mike Moore addressing the non-governmental organisations (NGOs) in opening the Seattle Symposium on International Trade Issues in the Next Decade. Moore said that without the multilateral trading system, “it would be a poorer world of competing blocs and power politics—a world of more conflict, uncertainty and marginalisation”. He said that “our dream must be a world managed by persuasion, the rule of law and the peaceful settlement of differences”. Nations, must therefore, strategize for their safety too.

Indian economy rightly made use of its built-in stabilisers when the world as a whole was facing the doldrums of the US Subprime Crisis. India could therefore, soon reach the coveted position of “one-of-the three top economies of the world”.

WTO rules put the “rights” of corporations to profit over human and labour rights. The WTO is seeking to privatise essential public services such as education, health care, energy, water, postal services etc. Haven’t these services now become threatened services?

The WTO is destroying the environment as it is being used by corporations to dismantle hard-won local and national environmental protections, which are attacked as “barriers to trade”.

The Agreement on Trade Related Intellectual Property’ rights (TRIPs) comes at the expense of health and human lives. Developing countries like India want the right to produce ‘generic’ drugs protected.

The WTO is criticised as increasing inequality. Theoretically and practically, cheapest labour is being exploited. “Beggart-hy neighbour” policy is still in action. There is still unequal participation by countries in the world of negotiations, and WTO is no exception. Weak bargaining power, less preparedness for the negotiations, and lack of transparency still haunt India.

The WTO unintentionally undermines local level decision-making and national sovereignty. This will be a blow for India – land of villages, a country that is steadfast in love for decentralisation of power and local governance. Even with the fluid global security scenario – physical and financial – national sovereignty can be a vital issue for a diverse democracy and demography like India. India is not new to “Open door policy”, Open General Licence” etc., but how much ‘openness’ is required or is ideal? Formulating the optimum degree of liberalisation is as much is not more difficult than knowing the optimum rate of tariff.

The tide is turning against Free Trade and the WTO! Street demonstrations against globalisation (the dark side of globalisation?) are also seen. Was it not witnessed in Seattle in December 1999? Anti-globalisation protests are open today and we are reminded of protests before the birth of WTO – against Dunkel Draft. It was strong even in India, as in the case of the *Karnataka Raita Sangha* (Karnataka Farmers’ Association). A farmer, in the March 3, 1993 protest held in Uttar Pradesh had said that “I am told that some people are conspiring to enslave Indian farmers like the British once did”. In India adivasis (indigenous peoples), public sector employees, including teachers and bankers, have time and again raised voices against hard hitting reforms. Environmentalists and women in India have led many a protest against onslaught on resources by multinational companies (MNCs).

Anti-globalisation demonstrations have continued – February 2000 (at the World Economic Forum meetings in Davos, Switzerland), April and September 2000 (meetings of IMF and IBRD), June 2001 (EU Summit in Goteborg, Sweden), 2005 and 2006 (Global May Day protests), and so on. Some critics also ascribe the movement against globalisation as the voice against “crony capitalism” and “manufactured consent” and by corporate firms including media giants in order to protect and sustain the New (business) World Order. Is this the New International Economic Order envisioned by the world leaders during 1950s to 1970? What ever happened to the Non Aligned Movement? Several Talks are failing. The danger is that what if Agreements collapse?

There can be Alternatives to the WTO – to build the political space that nurtures a democratic global economy that promotes jobs, ensures that every person is guaranteed their human rights to food, water, education, and health care, promotes freedom and security, and preserves our shared environment for future generations.

Whatever it may be, the main impact of WTO on India comprises of many aspects, some of which we discuss below.

### **Trade Liberalisation**

With (a) reduction of peak and average tariffs on manufactured products, and (b) commitments to phase out the quantitative restrictions over a period as these were considered non-transparent measure in any country’s policy structure, India too has a new trade environment. Newness is not simply peripheral changes but also ethereal challenges. The competition from imports for the domestic firms has increased. Balancing a highly regulated domestic market vis-à-vis a more liberal foreign market for inputs and output – is one such challenge. Similarly, there is still a conventional sub-sector in India as far as agricultural finance is concerned. Co-operative Sector, by and large is slow-moving, as of now.

### **Trade Related Intellectual Property Rights (TRIPs)**

One of the most controversial outcomes of the UR Agreement has been the TRIPs. India needs it much to give a boost to innovations and technology-driven manufacturing and marketing. It helps safeguard indigenous property rights and traditional knowledge, particularly when national laws of competition, protection, licensing and patenting are not so strong. Reverse engineering is

prohibited. With the Dispute Settlement Mechanism being a strong weapon of the WTO, India could win many battles for a rules-based system.<sup>1</sup> The case of *Haldi* (turmeric), *Neem* (Holy Basil) and *Basmati* rice cannot be forgotten. India has been fighting against bio-piracy of herbal wealth and knowledge.

Indian Patent Act has been extensively amended regarding the grant of compulsory licence to conform to the requirements of the TRIPs. India is ranked as the fastest emerging economy and a major global player in the years to come. The country has the largest scientific and technical human resources among top five countries in the world. India cannot afford to remain in isolation, disregarding the norms of international intellectual property rights convention. Research suggests that innovation pursued by Indian companies has increased since 1995 and even more since 2005. Moreover, it appears that many of these innovations are making their way to consumers as products or services. However, there have been adverse effects too. One of the important consequences can be seen in the rise of the prices of drugs. The transitional period to reintroduce product patent regime has elapsed but the transitional period for transformation of domestic Pharmaceutical Industry to face the challenges in post-product patent regime is still underway, it fails to protect the public from the aggressive monopolies that patents confer on the right holders.

### **Trade Related Investment Measures (TRIMs)**

Free flow of capital is a new feature. These agreements have a direct impact on our Trade, Investment and foreign exchange policy, domestic annual budgetary proposals and also on the industrial policy. Implementation process for the above requires proper preparation by the industries and policy makers, as sudden change may result in loss of revenue and decline of foreign exchange for the government and economy, and it may result in decline of market share and profitability of businesses, decline in employment opportunities and over-all decline in growth.

### **General Agreement on Trade in Services (GATS)**

The General Agreement on Trade in Services (GATS) is the first multilateral agreement, under the auspices of Uruguay Round, to provide legally enforceable rights to trade in a wide range of services along with their progressive liberalisation. Though very little liberalization was actually achieved,

the negotiations on trade in services established the institutional structure for negotiating liberalisation in the future. Many of the developing countries have not been very receptive to the conception of GATS mainly due to non-existence of such rules in the past and also because many of the service sectors had always enjoyed heavy protection. India has many success stories in this regard: the software services, the telecommunication services etc. The IT and IT-enabled industries are reaping rich dividends due to GATS. No doubt there are problems and slow changes in tourism, banking, insurance, and education. Overall the trade in services has undergone considerable growth in India. Over the past two decades, the service sector has replaced agriculture as the dominant sector in India. The share of the service sector in GDP has rose from 38% in 1980s to 49% in 2000. The service sector in India accounts for nearly one quarter of trade in goods and services. India has much to gain from further liberalisation of its service sector, particularly in the field of higher education. Some experts feel that for India, the GATS commitments fail to expand market access for India's exports of labour-intensive services. India has a huge potential for cross-border supply of various professional services, especially through back-office and outsourced activities and via electronic delivery.

#### **Agreement on Agriculture (AOA)**

The reduction of tariffs and subsidy in export and import items would open up competition and give a better access to Indian products abroad. However, the concern is on the competitiveness and sustainability that the Indian farmer would be able to prove in the long-run once the markets open up. Besides, plans for agribusiness – however modern the term may look – cannot be separated from strategies to handle climate change, reduction in public sector investment, increasing agrarian distress, rural indebtedness and farmers' suicides, issues pertaining to land acquisition/alienation and so on.

#### **Agreement on Sanitary and Phyto-Sanitary Measures (SPM)**

This agreement refers to restricting exports of a country if they do not comply with the international standards of germs/bacteria etc. If the country suspects that allowing of such products inside the country would result in spread of disease and pest, then there is every right given to the authorities to block the imports. Indian standards in this area are already mentioned and

therefore there is no need to change the law, but the problem is that of strictly implementing the laws.

### **Multi-Fibre Agreement (MFA)**

This agreement is dismantled with effect from 1 January 2005. The result was removal of Quantitative Restrictions (QR) on the textile imports in several European countries. As a consequence a huge textile market is opened up for developing countries textile industry as well as for other countries that have competitive advantage in this area. The dismantling of QR also mean more competition to Indian textile exporters and therefore, it becomes imperative to enhance the competitiveness in niche areas.

Besides the above agreements there are other agreements such as the agreement for reduction of subsidies on exports, conditional countervailing duties, and anti-dumping duty which also impact India, significantly. For Less/Least Developed Countries (LDCs) trade and aid are two important external sources of capital formation, with globalisation leaning heavily on the latter. It's good also on self-reliance count. To fill gaps there are alternative avenues in foreign direct investment, foreign collaborations etc.

### **Anti-dumping Measures**

Many governments take action against dumping in order to defend their domestic industries. Dumped imports are being fought against in order to prevent material injury to the domestic industry.

The WTO agreement does not pass judgement. Its focus is on how governments can or cannot react to dumping – it disciplines anti-dumping actions, and it is often called the “Anti-Dumping Agreement”. Typically Anti-Dumping (AD) action means charging extra import duty on the particular product from the particular exporting country in order to bring its price closer to the “normal value” or to remove the injury to domestic industry in the importing country.

Out of the 991 AD actions initiated between 1-1-95 and 30-6-2001, as many as 594 actions (nearly 60%) were initiated by developing countries and as many as 389 actions (more than 40%) were against developing economies. More and more Indian industries are feeling the heat of the competition from rising imports and there are also charges of dumping by foreigners. India initiated the first AD action in 1992. Between 1992-93 and 2002-03, India has initiated 153 AD actions. India ranked 9 in the top ten countries affected

by AD actions. Though India has initiated AD actions against 47 countries 70% of the actions have been initiated against 10 countries (232 cases) of which 66 cases are against China. Between 1995 and 2007 AD 129 cases were reported against India of which bulk was from the EU (28 cases). India thus, figures high both as an initiator of AD cases and as a victim of AD cases. India may have to be more careful in exercising the AD option and ensure that it is not perverted by domestic industry lobby.

### **Dilemma Today**

The author here is reminded of what United Nations Council for Trade and Development (UNCTAD) did in its first Meeting (1964) itself. UNCTAD passed a resolution that the developed countries should supply the LDCs with financial resources amounting to at least 1% of their national income. It also emphasised trade between rich and poor countries as free trade is the engine of growth. Subsequently UNCTAD introduced the General System of Preferences for exports (GSP), International Commodity Agreements (ICA), Common Fund (CF) etc. all that benefit the LDCs with the cooperation of the developed countries. UNCTAD also felt that a good South-South trade is essential for a good and strong globalisation but has it happened? UNCTAD XII (Doha, 2012) brought out two important documents – Doha Mandate and Doha Manar (Arabic for ‘beacon’). The Doha Mandate spells out the key challenges facing developing countries and the policies required, at global as well as national levels, to address them. The Doha Manar, on the other hand, is a pledge by all member States to work for a more development-oriented and inclusive globalisation. UNCTAD is not at all happy about the construct or category “LDCs” rather that the LDCs should not be trapped in that category but graduate by 2020. For that it has also suggested these countries to concentrate on improving resource management, redefining the vision for commodity sector besides promoting good governance. This will auger well for India too.

Codrina Rada and Rudi Von Arnim, however, opine that BRICS countries including India are growing from a lower base and with still weaker trade links and therefore, despite structural transformation are unlikely to take over as engines of growth in the world economy. The LDC paradox still continues! If this is not the failure of UNCTAD, is it the failure of WTO? May be the failure of the LDCs themselves, partly, if not wholly.



## Conclusion

WTO has changed the way Indians do business. Big businesses have gone global. But India is aware of the fact that the Less/Least Developed Countries (LDCs) are still marginalised in the world trading system, and that we have a long way to go. India will also have to be prepared for the outcomes of some unresolved issues like – labour standard and core social clauses, trade and environment, trade and investment, trade and competition, and transparency in Procurements made by the Government. India is still vulnerable in the pharmaceutical sector. India must engage in fair trade, even while protecting the employment market and ensuring food and health security for the masses. Growth and social justice must go together. India need not come out of WTO. It has already started schemes and campaigns such as Direct Cash Benefit Transfer “Make in India”, “Skill India” etc. “India should not aspire to isolation, but nor should it be made to appear as the villain when it is only pursuing its national interests”, says Rajiv Kumar, a Senior Fellow at the Centre for Policy Research. India already has in place an “inclusive growth” philosophy. Globalisation must proceed along with localisation. Hence the new term, ‘glocalisation’. Therefore, it would be in the fittest of things to go in for “managed globalisation”, lest we fail in managing competitive dynamics. Let us hope that it will succeed provided WTO ensures free and fair trade. There can be no compromise on good global governance. Corporate Social Responsibility (CSR) is rightly coming to the forefront. Conscious Capitalism may still be far away. Meanwhile India must continue building a strong domestic economy along with proper environmental monitoring, database and procedural familiarity to have best of its membership in the WTO.

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**Other:**

<http://www.wto.org>  
[www.thehindu.com](http://www.thehindu.com)

**(Footnotes)**

<sup>1</sup>In its 20th anniversary year, the WTO has reached a significant milestone with the receipt of its 500<sup>th</sup> trade dispute for settlement. “This shows that the WTO’s dispute settlement system enjoys tremendous confidence among the membership, who value it as a fair, effective and efficient mechanism to solve trade problems,” said Director-General Roberto Azevêdo.

India was party to 44 disputes (21 as complainant and 23 as respondent).