15.4 AGREEMENTS IMPLEMENTED UNDER THE WTO

The World Trade Organisation oversees some 30 diverse agreements that have the status of international legal texts. All these agreements must be signed and ratified by WTO member states on accession. Some of the most important WTO agreements include the General Agreement on Trade in Services (GATS), the Agreement on Agriculture, the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), Agreement on Trade Related Aspects of Investment Measures (TRIMS), the Agreement on Technical Barriers to Trade (TBT), Agreement on Textile and Clothing, Agreement on Anti-Dumping, Agreement on Subsidies and Countervailing Measures, and Pluri-lateral Trade Agreements (PTA).

Let us discuss these agreements in detail below:

- The General Agreement on Trade in Services (GATS) is a WTO agreement that came into effect in 1995 as a result of negotiations during the Uruguay Round. It was designed with the aim to extend multilateral trade system to services, similar to the system for merchandise trade provided by the General Agreement on Tariffs and Trade. All WTO members are signatories to the GATS.
- Negotiated during the Uruguay Round of the GATT was also the Agreement on Agriculture which went into effect with the establishment of WTO in January 1995. This WTO agreement has three central concepts, namely export subsidies, market access and domestic support. However, it is criticized for reducing tariff protections for farmers, recognized as a vital source of income in developing countries.
- The Agreement on Trade-Related aspects of Intellectual Property Rights (TRIPS) covers seven categories of intellectual property. These are: a) copyright and related rights, b) trademarks, c) geographical indications, d) industrial designs, e) patents including micro organism and plant varieties, f) integrated circuits, and g) trade secrets. For the implementation of this agreement different transition period has been



CHECK YOUR PROGRESS

Q 8: Which is the second fastest growing economy in the world?

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Q 9: Write the full form of FRBM?

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Q 10: What have been the average rates of growth of imports and export of India in recent years? (Answer in about 30 words)

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Q 11: State two principal failures of Indian economic reforms so far. (Answer in about 50 words)

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14.6 LET US SUM UP

- India embarked on the path of economic reform in 1991. The historic economic reforms were initiated by Dr.Manmohan Singh who was the Finance Minister in the P.V.Narasimha Rao led Government. The reforms that began our journey from plan to market started with announcement of the New Industrial Policy, 1991 on July 24, 1991 that sought to “unshackle the Indian industrial economy from the cobwebs of unnecessary bureaucratic controls”.
- By June 1991, Indian economy reached a stage of deep crisis. It was brought on by the Gulf War, lack of financial discipline of earlier governments, failure of monsoons, and accumulated external payment obligations. For the first time in history, India was close to defaulting on

its international commitments. India's credit ratings were downgraded and she could not borrow from external commercial markets.

- The crisis was exacerbated by the annual rate of inflation that had touched 17% by August, 1991. Foreign exchange reserves plummeted to a little above US$1billion which was barely sufficient to meet the country's import bill for a week. Fiscal deficit had reached the unsustainable level of 8.4% of the GDP. The Current Account deficit in the Balance of Payment (BOP) was about US$10 billion.
- The crisis that prompted the Government of India to embark on the path of reforms did not occur over night. It was the culmination of decades of mismanagement, faulty approach, and a lack of a pragmatic and comprehensive programme to take the economy along the desired line in the fast changing dynamic world. A kind of lethargy was getting in built into the system that was captured by the so called "Hindu Rate of Growth" of about 3.5 % that kept the growth of per capita income at a meager 1.5 % per annum even after four decades of planning.
- The economic reforms in India can be broadly classified into the following two groups :
  - ➢ Short term stabilisation programmes to bring the economy back on track.
  - ➢ Medium to long term structural adjustment programme to correct structural rigidities and bottlenecks in the economy.
- The aim of Stabilisation was to control inflation and remove the Balance of Payment (BOP) deficit. It consisted of four distinct areas of actions. These are: fiscal policy, monetary policy, exchange rate policy, and social sector policy. Structural adjustment consisted of industrial policy liberalisation, public sector reforms, financial sector reforms, and trade policy reforms.
- The principal achievements of the economic reforms have been : appreciable increase in the growth rate of GDP, more than 8% growth in the industries on an average, diversification of agriculture, quantum jump in the flow of FDI and consequent increase in India's foreign exchange reserves, reduction in fiscal deficit and enactment of FRBM

tariffs, other barriers to trade) and agreeing on rules governing the conduct of international trade (e.g. anti-dumping, subsidies, product standards, etc.)

- **administering and monitoring** the application of the WTO's agreed rules for trade in goods, trade in services, and trade-related intellectual property rights.
- **monitoring and reviewing** the trade policies of the members, as well as ensuring transparency of regional and bilateral trade agreements.
- **settling disputes** among the members regarding the interpretation and application of the agreements.
- **building capacity** of developing country government officials in international trade matters.
- **assisting** the process of accession of some 30 countries who are not yet members of the organisation.
- **conducting** economic research and **collecting** and **disseminating** trade data in support of the WTO's other main activities.
- **explaining** to and **educating** the public about the WTO, its mission and its activities.



CHECK YOUR PROGRESS

Q 1: In which year did the WTO come into being?

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Q 2: What is the member strength of the WTO?

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Q 3: State two functions of the WTO. (Answer in about 50 words)

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we will attempt to give an elementary introduction to the organisation and its primary functions. The main agreements that constitute the WTO are briefly summarized. In the final section, we shall discuss the benefits and potential threats for India from the Indian point of view and how best India can maximize its gains.

15.3 WORLD TRADE ORGANISATION (WTO) AND ITS FUNCTIONS

The establishment of WTO is the latest attempt of the international community to establish a rule-based mechanism of international transaction of goods and services, with a view to enhancing the world economic welfare. However, since its inception the WTO has encountered controversy and more often than not the member countries have agreed to disagree. But it is to be recognized that the stature of this organisation will only grow with passage of time and it will influence all the trading countries of the world including India.

The WTO is a single multilateral framework encompassing the following :

- The GATT as modified by the Uruguay Round,
- All agreements and arrangements concluded under its auspices, and
- The complete results of ***Uruguay Round.***

The WTO provides a forum for negotiating agreements aimed at reducing obstacles to international trade and ensuring a level playing field for all, thus contributing to economic growth and development. The WTO also provides a legal and institutional framework for the implementation and monitoring of these agreements, as well as for settling disputes arising from their interpretation and application. The current body of trade agreements comprising the WTO consists of 16 different multilateral agreements (to which all WTO members are parties) and two different plurilateral agreements (to which only some WTO members are parties). More specifically, the WTO's main activities are:

- **negotiating** the reduction or elimination of obstacles to trade (import

The ***Uruguay Round*** was the 8th round of multilateral trade negotiations (MTN) conducted within the framework of the General Agreement on Tariffs and Trade (GATT), spanning from 1986-1994 and embracing 123 countries as "contracting parties". The Round transformed the GATT into the World Trade Organization.

Act, and substantial increase in the share of foreign trade in our GDP.

- However there have been certain negative fall outs of theses reforms. Important ones are: widening of the gap between the rich and the poor, drastic reduction in public investment, particularly in the social sector, unimpressive contributions of the MNCs to exports, suffering of laid off work force in absence of social safety network, slow progress in divestment of PSUs, and exposure of the Indian economy to international disturbances.

14.7 FURTHER READING

1) Agrawal, A. N. (2019). *Indian Economy: Developmental Problems and Policies.* New Delhi: New Age International Publishers.
2) Datt, G and Mahajan, A. (2016). *Datt & Sundharam's Indian Economy.* New Delhi: S. Chand & Co.
3) Kapila, U. (2003). *Indian Economy since Independence.* New Delhi: Academic Foundation.
4) Misra, S.K. & Puri, V.K. (2018). *Indian Economy.* New Delhi: Himalya Publishing House.

14.8 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1 : It was a little above US$1billion which was barely sufficient to meet the country's import bill for a week.

Ans to Q No 2 : The "Hindu Rate of Growth" refers to the sluggish growth rate of GDP of India which was about 3.5 % that kept the growth of per capita income at a meager 1.5 % per annum in the first four decades of planning.

Ans to Q No 3 : It was a situation when India was close to defaulting on its international commitments for the first time in history. India's credit ratings were downgraded and she could not borrow from external commercial markets.

Ans to Q No 4 : The four prominent factors are: the Gulf War, lack of financial discipline of earlier governments, failure of monsoons, and accumulated

external payment obligations

Ans to Q No 5 : The New Economic Policy was announced by Dr.Manmohan Singh in his June, 1991 budget as the Finance Minister of India.

Ans to Q No 6 : A short term stabilisation programme to bring the economy back on track and a medium to long term structural adjustment programme to correct structural rigidities and bottlenecks in the economy.

Ans to Q No 7 : The four distinct areas are: fiscal policy, monetary policy, exchange rate policy, and social sector policy.

Ans to Q No 8 : India.

Ans to Q No 9 : Fiscal Responsibility and Budgetary Management.

Ans to Q No 10 : About 20% per annum.

Ans to Q No 11 : Widening of the gap between the rich and the poor, and drastic reduction in public investment, particularly in the social sector.

14.9 MODEL QUESTIONS

Short Questions (Answer each question in about 150 words)

Q 1 : Write a short note on economic crisis prior to economic reforms of 1991.

Q 2 : Prepare a brief note on structural adjustment programme.

Essay-type Questions (Answer each question in about 300-500 words)

Q 1 : Write a note justifying the Indian economic reforms of 1991.

Q 2 : Discuss the various measures undertaken for structural adjustment programme.

Q 3 : Outline the steps taken for the stabilisation programme under economic reforms.

Q 4 : Critically examine the impact of economic reforms on the Indian economy.

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UNIT 15 : WORLD TRADE ORGANISATION AND ITS IMPLICATIONS FOR INDIA

UNIT STRUCTURE

15.1 Learning Objectives
15.2 Introduction
15.3 World Trade Organisation (WTO) and Its Functions
15.4 Agreements Implemented under the WTO
15.5 Implications for India
15.6 Let Us Sum Up
15.7 Further Reading
15.8 Answers to Check Your Progress
15.9 Model Questions

15.1 LEARNING OBJECTIVES

After going through this unit, you will be able to:

- describe what is WTO and explain its functions
- state the principal agreements that govern the functions of the WTO
- critically explain the impact of the agreements implemented by the WTO on the Indian economy.

15.2 INTRODUCTION

This unit introduces you to the World Trade Organisation (WTO). The World Trade Organisation is the only global international organisation that deals with the rules of trade between nations. At its heart are the WTO agreements, negotiated and signed by most of the world's trading nations and ratified in their parliaments. The goal is to help the producers of goods and services, exporters, and the importers to conduct their business. It came into being after the conclusion of Uruguay round of talks under General Agreement on Tariff and Trade (GATT) on 1st January, 1995. At present WTO has 153 member countries. It has caused far reaching impact on the global economy and also on the individual member countries. In this unit