

ANALYSIS OF THE CONTRIBUTION OF THE WTO TO INDIA'S ECONOMIC DEVELOPMENT

AUTHOR-

AKSHITA MISHRA

221303021

LLM (CORPORATE LAW)

ABSTRACT

India has been a member of the WTO since January 1995 and of the General Agreement on Tariffs and Trade (GATT), the predecessor of the WTO since July 1948. As a developing country, India has played an important role in the WTO process. In particular, it has played a key role in voicing India's own concerns, as well as those of the developing world as a whole. At the 2001 WTO conference in Doha, India emerged as the most outspoken supporter of the development bloc. The meeting was considered successful as delegates from 142 countries agreed to a new round of trade negotiations, including issues such as the environment, competition and investment. The World Trade Organization was established in 1995. One of the youngest international organizations, the WTO is the successor to the General Agreement on Tariffs and Trade (GATT) established after World War II. Thus, while the WTO is relatively young, the first multilateral trading system established under the GATT is over 70 years old.

Over the past 70 years, world trade has experienced tremendous growth. Merchandise exports are growing at an average of 6% each year. This trade growth has been a strong driver of the overall economic expansion, with trade growing at an average rate of 1.5 times that of the global economy each year. Total exports in 2019 were 250 times what she was in 1948. The GATT and WTO have helped build a strong and prosperous trading system that has contributed to unprecedented growth. WTO rules-agreements- are the

result of negotiations between members. The current scenario is largely the result of the 1986-94 Uruguay Round negotiations, which included a major overhaul of the original General Agreement on Tariffs and Trade (GATT). This paper will discuss the World Trade organization and its related agreements in India.



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WORLD TRADE ORGANIZATION AND INDIA

CHAPTER 1

1.1. INTRODUCTION

Globalization in its current form is nothing new, but it is still the most debated phenomenon of our time. Proponents of globalization, therefore, believe that states are open to cross-border capital flows and that governments, including former communist and nationalist third world countries, ensure compliance with the rules set by the International Monetary Fund and World Bank. Politics shifted the target from left to middle to right as the world economy moved globally. Opponents of capitalism had to reconsider and revise their policies in the post-communist era. As the world settled into a new economic era, old beliefs were cast aside.¹

The institutions and frameworks of the modern world economy are rooted in the agenda of the new economic order presented in the final stages of World War II. The Bretton Woods Conference held in the United States in 1944, sought to resolve major trade facilitation issues. They needed to prevent the Great Depression of the 1930s from happening again. First, they needed to find something that would ensure a stable global economic system and an open world trading system. Second, it had to rebuild the economies of Western European countries that had been ravaged by World War II. Therefore, at the Bretton Woods Conference, they planned to build institutions to promote mutual trade and investment on a global scale.

1.2. RESEARCH QUESTIONS

- 1.To what extent are India's interests as an emerging country aligned with the WTO Agenda?
- 2.What is India's perception of the WTO regime?
- 3.Where does India fit in the WTO debate on emerging markets?
- 4.What are the impacts of India's participation in the World Trade Organization (WTO) on its economic performance and trade policies since 1995?

1.3. RESEARCH PROBLEM

¹ <https://www.piie.com/microsites/globalization/what-is-globalization>

The World Trade Organization (WTO) is an international body that regulates and facilitates global trade. India is a member of the WTO and has played an important role in the international trading system since its accession in 1995. WTO has been accused of being unfair to developing countries governments for a long time. It conducts its trade deals where powerful governments and large corporations dictate policy. However, India's economic growth has been hampered by the WTO rules, which have had a negative impact on the country's trade policies, especially related to agricultural subsidies, intellectual property rights and trade in services. This has led to growing dissatisfaction among Indian politicians, businesses and citizens as India's economic growth is constrained by WTO rules. India faces the question of how best to negotiate with the WTO to ensure that India's interests are taken into account at a time when global trade rules are at stake.

1.4. RESEARCH OBJECTIVES

- To do a detailed study of WTO
- To analyze the impact of the World Trade Organization (WTO) on India's economy
- To study how India has responded to the challenges posed by the WTO.
- To examine the relationship between the WTO and India.

1.5. HYPOTHESIS

WTO played a very crucial role in the globalization of trade in the whole world. India was also the leading member of WTO. WTO aims to make global trade a fair and ideal way, but its working process tends to influence the economies of developed countries and make them more favorable.

1.6. ARTICLE REVIEW

Rittika Chhetri: Changing Sovereignty in the Light of WTO²

The article *Changing Sovereignty in the Light of the WTO* examines the impact of the World Trade Organization (WTO) on national sovereignty. The article argues that the WTO has redefined the concept of sovereignty by introducing rules and regulations that limit countries' ability to use their trade policies to protect their industries. The authors argue that this has led to a "world of shifting borders", in which states have become increasingly "interdependent" and

² <https://www.legalserviceindia.com/>

“interconnected”, and that states are no longer the only actors capable of making and enforcing laws.

This article looks at the impact of WTO rules on trade policy and how countries can and cannot use them to protect their domestic industries. The authors argue that the WTO has created a “globalized” world, with countries becoming more interdependent and leaving less room for governments to “flexibly regulate” and protect their domestic industries. As a result, the authors argue, countries must find ways to adapt to the changing global environment and align their economic interests with those of other nations.

The article also covers his WTO impact on international trade disputes. The authors argue that the WTO has created an international dispute resolution system that reduces the risk of trade wars and allows countries to settle disputes more quickly and effectively. The article also examines the WTO’s impact on the environment, arguing that it has enabled countries to better address environmental issues such as climate change through multilateral trade agreements.

This article provides a comprehensive overview of the WTO’s impact on sovereignty, trade policy and international disputes. The authors do a good job of analyzing the impact and detailing the various ways in which the WTO has reframed the concept of sovereignty. This article makes an important contribution to the ongoing debate about the WTO and its implications for global trade and sovereignty.

1.7. RESEARCH METHODOLOGY

Current research is descriptive and analytical in nature and relies entirely on documentary sources. These sources include various official reports and publications of the Government of India, surveys and reports of various international organizations, relevant books, magazines and various websites on the Internet.



CHAPTER 2

2.1 The Beginning of WTO

When World War II began, there seemed no practical way to reform the global trading system. But as the war was close to end, the major industrial powers rushed to reform the international economic system. After the war ended, fears surfaced that the economic stagnation of the 1930s would return. The Allied Conference at Bretton Woods, New Hampshire was therefore established guidelines for the orderly operation of the world economy. Thus, in the final stages of World War II, representatives from 44 nations met in Bretton Woods to look at international economic problems and worked out their solutions. Two of his institutions were founded at Bretton Woods to advance the new post-war world economic system. The International Monetary Fund (IMF) was established to ensure stable exchange rate regimes and provide arrangements to assist countries facing balance of payments crises. The International Bank for Reconstruction and Development (IBRD), known as the World Bank, was established to facilitate the rebuilding of Europe and the investments in member states. The bank is also tasked with supporting economic development in poor countries, which was the main reason for its establishment. The International Trade Organization was visualized in Bretton Woods for the free movement of trade, which was not possible at the time.

The United States has taken the lead in promoting the view that free trade is a mechanism for achieving world peace, and has continued efforts to form a global trading organization called the

International Trade Organization. The first major post-war step to liberalize world trade was the General Agreement on Tariffs and Trade (GATT) signed in 1947. The GATT is an agreement that requires members to lower trade barriers and put all countries on an equal footing in trade relations. GATT was never intended as an organization. Instead, it was a series of bilateral agreements between countries around the world to lower trade barriers.

From 1964 to 1967, GATT members participated in the Kennedy round of trade negotiations. The negotiations aimed to reduce tariffs on manufactured goods by an average of 35%. The GATT rounds in the 1940s-1960s focused almost exclusively on tariff reductions.³

At the 1973-1979 Tokyo Ministerial Conference, member states agreed to a general form of tariff reduction initiated in the Kennedy Round. The average tariff rate on manufactured goods in nine major developed countries was cut from 7.0% to 4.7%, a drop of 40%.⁴ Tariff reductions on finished goods were more severe than those on raw materials and tended to reduce the scale of tariff escalations.

After the Tokyo Round, tariffs have become so low that they are no longer a major barrier to trade in developed countries. His second outcome of the Tokyo Round was agreeing to remove or reduce non-tariff barriers to trade. Despite efforts to liberalize trade through the Tokyo Round of the 1980s, world leaders argued that the GATT system was in decline. In spite of the trade liberalization efforts of the Tokyo Round, in the 1980s, world leaders felt that the GATT system was on decline. GATT members had largely switched to bilateral arrangements. World leaders also felt that GATT needed to include additional areas, such as the issue of intellectual property rights and trade in services and agricultural goods.

Emerging at a time of international economic and political turmoil caused by the devastation of World War II and the onset of the War, GATT has served as the leading multilateral forum to ensure the dismantling of trade barriers, which existed for almost half a century with the member states. The Uruguay Round led to the creation of the World Trade Organization. However, although the creation of a multilateral trading organization was not on the agenda when the Uruguay Round began, dissatisfaction with GATT persisted and the WTO was established in January 1995. The main features of WTO are: Oversight of the trade dispute resolution process.

³ <https://www.wto.org/>

⁴ <https://www.wto.org/>

Reassess national trade policies and work with major international institutions such as the IMF and World Bank to increase the coherence of the global economic system.

Key members wanted to replace the GATT with a global trade regulatory body like the WTO for a number of reasons. First, GATT rules applied to trade in goods, not services. In addition to goods, the WTO covers trade in services and trade-related intellectual property rights (TRIPS). The second reason is that although the GATT is a multilateral agreement, several new agreements of a unilateral nature were added in the 1980s. The GATT had no institutional foundation, only a small secretariat that had its roots in attempts to create an international trading organization in the 1940s. By contrast, the WTO is a perpetual motion machine with its own body. Moreover, the GATT was a transitional agreement, which has been in operation for over 40 years. Governments have treated it as such, but the WTO commitment is functionally permanent. The WTO Agreement contains approximately 29 separate legal instruments and over 25 additional ministerial declarations, decisions and declarations, covering commitments and obligations of Member States. All of these documents are based on the fundamental principles that formed the basis of the WTO Agreement.⁵ Moreover, the WTO is more than just a permanent body, with provisions such as the Most Favored Nation (MFN). The main principle of national treatment requires that goods entering a market are treated favorably over corresponding domestically produced goods. As the WTO's primary objective is to promote trade, which is seen as a very important economic catalyst for development, member countries are encouraged to promote economic reforms, especially in developing countries and countries with economies in transition are encouraged to do so.

Nations trade for mutual benefit. Of course, other motives may be involved, but the fundamental motive of international trade is the interest of the participants. International trade occurs because specialization allows resources to be allocated to the most productive uses in each trading country.

2.2. International Organization: United Nations

The signing of the Charter in San Francisco in 1945 laid the foundation for the United Nations as an international organization. A later developed system of international organizations is known as the United Nations family. Although the

⁵ https://www.wto.org/english/docs_e/legal_e/gatt47_01_e.htm

consultations took place within the United Nations, perhaps the most important international bodies - the International Monetary Fund on Financial Matters and the World Bank, and GATT which later became WTO – were still out of the purview of United Nations.⁶

2.3. Bretton Woods Conference

During World War II, there was no opportunity to reform the global trading system. As the war drew to a close, however, major trading powers, fearing a return to the economic depression of the 1930s, began swiftly reforming the international trading system. It recommended the establishment of two international bodies with a view to sustaining cooperation. The International Monetary Fund (IMF) was established to solve balance of payments problems. The International Bank for Reconstruction and Development (World Bank) was founded to rebuild the economies. The IMF was established in July 1944 and the World Bank in December 1945.⁷

2.4. General Agreement on Tariffs and Trade (GATT)

The General Agreement on Tariffs and Trade (GATT) grew out of negotiations in to establish the International Trade Organization (ITO) after World War II. Negotiations of a charter for such an organization were successfully concluded in Havana in 1948, but ITO was not produced as the US Congress was expected to refuse to ratify the agreement. With discussions on the ITO underway, the US proposed that a multilateral trade agreement on tariff reductions should be negotiated among the participating countries. Havana Charter negotiations for multilateral tariff reduction treaty began at the 1947 Geneva Conference. Subsequent negotiations resulted in the General Agreement on Tariffs and Trade (GATT). From its ill-fated beginnings in the ITO, it has transformed into world trade. One measure of GATT success was its growth. GATT started in 1947 with 23 parties and has grown with parties to include over 100 parties.⁸

Objectives of GATT:

The main purpose of the GATT was to expand international trade by liberalizing it and creating mutual economic prosperity. The key goals mentioned in the preamble of GATT are listed below:

⁶ <https://www.un.org/en/>

⁷ <https://www.britannica.com/event/Bretton-Woods-Conference>

⁸ <https://nyulaw.libguides.com/c.php?g=773835&p=5551926>

- Improving living standards;
- ensuring full employment and a large and ever-increasing amount of real income and claims;
- Development that maximizes the use of the world's resources;
- Expansion of production and international trade;
- Provide and facilitate a framework for the gradual removal of trade barriers;
- Provides a set of rules to prevent countries from taking unilateral action.



CHAPTER 3 WORLD TRADE ORGANIZATION

3.1. GATT TRADE ROUNDS

Under the guidance of GATT, a series of eight rounds focused on reducing tariffs on goods were held. Tariffs deter imports by raising prices. Trade rounds, particularly the Tokyo and Uruguay rounds, also responded to changes in the global economy.

Year	Place	Duration	Number of countries	Achievements
1947	Geneva	7 months	23	First GATT Agreement signed, tariffs negotiated one by one, concessions applied to 45,000 tariff items, affecting

				\$10 billion trade
1949	Annecy	5 months	13	Modest tariff reduction on specific products countries
1951	Torquay	8 months	38	About 8,700 countries made tariff concessions 25% reduction from 1948 tariff levels
1956	Geneva	5 months	26	Tariff reductions
1960-1961	Dillon	11 months	26	Concession in tariff by \$ 4.9 billion of world trade
1964-1967	Kennedy Round	37 months	62	Concession of tariff by \$40 billion of world trade
1973-1979	Tokyo Round	74 months	102	Reduction of tariff by \$300 billion achieved
1986-1994	Uruguay Round	87 months	123	This round led to establish the WTO, which expanded the scope of trade negotiations, substantial tariff reductions (about 40%) and full access to agricultural subsidies and textiles and clothing from developing countries, and intellectual property extensions of

				rights.
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Eight rounds were held under the auspices of GATT. The first five rounds of the GATT were primarily about commodity tariffs. The purpose of these rounds was to significantly reduce tariffs and other trade barriers for mutual benefit. There were 123 agreements covering just over half of world trade. A major reason for the success of the first three rounds of tariff reductions was that the United States was keen on free trade and tried to reduce tariffs on imports from Europe without putting pressure on European countries.

3.2. World Trade Organization

The Uruguay Round led to the creation of the World Trade Organization. The round's broad mandate was to extend GATT's trade rules into areas previously excluded as being too difficult to liberalize, and was a d investment measure. This regulation now extends to trade in goods. On 1st Jan 1995, the world trade organization was established.

GATT was elaborated and passed to form the WTO eventually in 1995 which led to absorbing of organisation created to implement GATT,90% out of total global trade comes under its purview. At the time when WTO was created, 125 nations were signatory and today there are 164 members in total.

The creation of the WTO created a rules-based trading system that promised compliance. This was necessary because otherwise highly competitive exporters and importers would never be able to protect and manage their businesses, it impacts the economic system to a great extent more positively less negatively. Providing open line of communication among its member nations, it effectively negotiates and meditates between member nations to facilitate trade and improve global economy.

The global trading environment was rife with 'jungle rules'. Second, the WTO's dispute settlement measures are intended to bring discipline to member countries' trade practices.

The Secretariat

The WTO Secretariat is located in Geneva. It has about 630 employees and is headed by the Director General. The responsibilities include providing support to the WTO delegated bodies in

relation to the negotiation and implementation of the agreement, conducting accession negotiations for new members, providing technical assistance and expertise to developing countries. It has comparatively minimum/less formal authority to take the lead. The Director-General does not have the power to initiate dispute settlement proceedings against Member States, no matter how grossly in violation of WTO rules. The Secretariat should refrain from providing interpretations of WTO law or assessing the conformity of a member country's policy with his WTO rules. A WTO delegation scrutinizes the documents produced by the WTO Secretariat. The WTO Director-General has little room to decide which issues should be on the WTO agenda.



CHAPTER 4

4.1. INDIA AND WTO

India is currently playing a very active role in international politics. India is a founding member of GATT (1947) and WTO (1995), as we have seen India's role in GATT/WTO to be both positive and negative. India is one of the 76 members and governments; it became a member of the WTO on the first day of establishment of the World Trade Organization. It is utterly unworthy that India, despite being a founding member, has never considered the possibility of actively negotiating in the GATT forum. Opening the domestic market to foreign competition was seen as detrimental as the country pursued an import substitution development strategy, export promotion was never a priority.

India welcomes additional flexibility in providing domestic assistance and protection for reasons of food security, livelihood concerns and rural development. The main "victory trophies" at Doha were the declaration on TRIPS and that declaration on public health prioritizing public health over patents. India has successfully secured a firm commitment that the TRIPS Agreement will not prevent national governments from taking action to protect public health.

4.2. India's Role in WTO from 1995 to 2004

Two international financial institutions that emerged from post-war deliberations were the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD), now known as the World Bank. WTO is now considered the third pillar of the global business.⁹

The IMF mainly provides short-term international finance, while IBRD provides long-term international finance. On the other hand, the WTO is expanding its global business. The WTO helps strengthen the institutional framework for business relations between member countries. Growing global trade is expected to bring productivity gains, economies of scale, technology transfer, and diversified trade in relation to the country and the products. The multilateral trading system the GATT and WTO were designed by wealthy industrialized nations, but these nations have failed to keep their promises and promised benefits to developing countries have not been realized. India is one of the few developing nations with the scale and influence to grab the world's attention when it raises its flag.

Before 1991, the Indian economy was a closed economy. The government of India regulates industries and businesses in many sectors and in many cases these regulations serve to strengthen, supplement or modify India's economy. India has embraced a free trade policy that provides a solid foundation for the development of the Indian economy. In 1991, India liberalized its domestic regulatory framework, reduced tariffs, introduced reasonable exchange rate policies, and introduced a market-oriented policy that allows foreign investors to play an important role in the economy. introduced a strategy.

4.3. India and WTO from 2004 to 2014

The global economy has entered the 21st century with an impressive track record of long-term economic progress and stability. Human civilization at its zenith has no comparable record of growth and development, achieved through the force of a massive flow of technological innovation and sustained by coherent new economic policies. In contrast to that stressful period, the post-war period was one of financial and economic troubles under the auspices of World Trade Cooperation,

⁹ https://www.wto.org/english/res_e/statis_e/miwi_e/miwi_articles_e.htm

GATT, IMF and the World Bank, with both developed and developing countries showing stability and growth.

Trade not only increases a country's yields, but it also helps in other ways. The improvements developed in one country are automatically shared with the other country. Participation in international capital markets allows developing countries to supplement their domestic savings by borrowing from wealthier countries. International transactions in receivables and payables increase the efficiency with which the economy can allocate resources over time.¹⁰

India is a founding member of the World Trade Organization. It shows active interest in WTO deliberations. Indeed, India has emerged as a leading voice among developing countries in various rounds of negotiations on trade issues. Negotiations for the Doha Round were boosted on 1 August 2004 when Member States adopted a framework agreement, setting out the guiding elements and principles for further negotiations.¹¹

Since the global market is larger than the domestic market, the economic opportunities to facilitate access to the global market will be greater. However, the real world often deviates from this ideal. Restrictions on the movement of goods, technology and labor exist in the developed world as well. Most importantly, globalized economies are vulnerable to shocks and events occurring in other parts of the world over which countries have little control, such as inflation and recession. Moreover, globalization means that countries must accept the international rules of the games, for example, set out in the WTO agreements.

¹⁰ https://www.wto.org/english/thewto_e/countries_e/india_e.htm

¹¹ <https://www.insightsonindia.com/2016/01/20/india-and-wto-detailed-analysis-of-all-related-issues-and-concepts/>

SUGGESTIONS

1. Work with India to create a business-friendly climate, including the simplification of the regulatory environment and the reduction of bureaucratic red tape.
2. Support India's efforts to reduce poverty and promote economic growth by facilitating access to markets in developed countries.
3. Provide assistance to India in developing a strong intellectual property rights (IPR) regime to protect innovators and encourage entrepreneurship.
4. Assist India with the development of a robust dispute resolution system to ensure fair and equitable trade practices.
5. Facilitate the negotiation of bilateral and multilateral trade agreements to help India become more globally integrated.



CONCLUSION

In the final stages of World War II, the Western powers, led by the United States, began planning a new world order to create an orderly multilateral framework for international monetary, financial, and trade relations. After the war, the United States was determined to promote an international economic order that prevented the high tariff barriers and begging-neighbor policies that led to the Great Depression of the 1930s. The World Bank was to rebuild the war-torn economies in Western Europe and lend money for development purposes. The third pillar of the international economic order should be the International Trade Organization. However, the proposed body was never created because the United States failed to ratify the Havana Charter. As a result, the General Agreement on Tariffs and Trade (GATT), originally conceived as an interim body pending the establishment of an International Trade Organization, has become the global trading system.

Finally, this study also suggests several areas of future research opportunities that could not be addressed in current research. First, there is a serious problem of contradiction between the promotion of complete free trade by the WTO system and new environmental problems. Many NGOs and environmental activists have criticized the WTO's free trade regime and questioned its indifference to environmental degradation as a result of unrestrained exploitation of natural resources and pollution. Second, there is the problem of diminishing political responsibility. As the rise of neoliberal policies causes the world's governments to lose control of multinational corporations, there are concerns about the political control and accountability of these large economic institutions.