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WTO And Implications For Indian Economy

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Abstract: ***The world economic landscape has changed dramatically in the past decade, with deep implications for trade, investment and development policies. Historically low tariffs and the reorganisation of international trade along global supply chains increasingly shift the focus of trade policies to regulatory and other' behind-the-border issues. Developing countries have gone through radical changes. Some of them, such as China, India or Brazil, have managed to reap the benefits of open and increasingly integrated world markets and are now among the largest and most competitive global economies while others continue to lag behind and risk further marginalisation. Least Developed Countries (LDCs) in particular, mainly in Africa, continue to face many difficulties and are the most off track in the achievement of the Millennium Development Goals.***

The notion of developing countries" as a group is losing relevance as a result and trade, investment and development policies now need to be tailored to reflect this. The issue of development, however, and the specific role of trade for development, remains pressing. The EU has a particular responsibility as the world's largest trading power, the biggest trading partner of many LDCs and other low-income or lower middle-income countries, and the world's largest provider of development assistance (including for trade-related programmes). India has aligned itself with WTO in the goal to reduce the trade barriers and tariffs to zero by 2025.

I. WORLD TRADE ORGANIZATION

The World Trade Organization (WTO) is a global international organization dealing with the rules of trade between nations. The work of WTO moves around WTO agreements, negotiated and signed by the bulk of the world's trading nations and ratified in their parliaments. The goal is to help producers of goods and services, exporters, and importers conduct their business.

One of the most dramatic events that has taken place in later part of 20th century was culmination of GATT 1948 into WTO, which came into force on 1st January 2005. This WTO has set expectations high in various member countries regarding spurt in world trade where India has insignificant share in the pie - only 0.75% at the most. Even in IT exports the share of Indian exporters is just peanuts in view of overall world market.

India is a founder member of the General Agreement on Tariffs and Trade (GATT) 1948 and its accessoror, the World Trade Organization (WTO), which came into effect on 1.1.95 after the conclusion of the Uruguay Round (UR) of Multilateral Trade Negotiations. India's participation in an increasingly based system in the governance of international trade is to ensure more stability and predictability, which ultimately would lead to more trade and prosperity for itself and the 149 other nations which comprise the WTO. India also automatically avails of MFN and national treatment for its exports to all WTO members.

II. PROBLEMS FACING INDIA IN WTO & ITS IMPLEMENTATION

- ✓ Predominance of developed nations in negotiations extracting more benefits from developing and feast developed countries
- ✓ Resource and skill limitations of smaller countries to understand and negotiate under rules of various agreements under WTO
- ✓ Incompatibility of developed and developing country resource sizes, thereby causing distortions in implementing various decisions

- ✓ Non-tariff barriers being created by developed nations.
- ✓ Poor implementation of Doha Development Agenda
- ✓ Agriculture seems to be bone of contention for all types of countries where France, Japan and some countries are just not willing to budge downwards in matter of domestic support and export assistance to farmers and exporters of agricultural produce.
- ✓ Dismantling of MFA (Multi Fiber Agreement) and its likely impact on countries like India.

III. IMPLICATIONS FOR INDIA

- ✓ It appears that India does not stand to gain much by shouting for agriculture reforms in developed countries because the overall tariff is lower in those countries. India will have to start major reforms in agriculture sector to make Agriculture globally competitive.
- ✓ It is likely that China, Germany, North African countries, Mexico and such others may reap benefit in textiles and Clothing areas unless India embarks upon major reforms in modernization and up gradation of textile sector including apparels.
- ✓ In Pharma sector there is need for major investments in R &D and mergers arid restructuring of companies to make them world class to take advantage. India has already amended patent Act and both product and Process are now patented in India.

IV. WHAT INDIA SHOULD DO?

- ✓ The most important things for India to address are speed up internal reforms in building up world-class world infrastructure like roads, ports and electricity supply.
- ✓ India's ranking in recent Global Competitiveness report is not very encouraging due to infrastructure problems, poor governance, poor legal system and poor market access provided by India.
- ✓ Our tariffs are still high compared to Developed countries and there will be pressure to reduce them further and faster.
- ✓ India has solid strength, at least for midterm (5-7 years) (5in services sector primarily in IT sector.
- ✓ India would do well to reorganize its Protective Agricultural policy in' name of rural poverty and Food security and try to capitalize on globalization of agriculture markets
- ✓ India must improve legal and administrative infrastructure, improve trade facilitation through cutting down bureaucracy and delays and further ease its financial markets.
- ✓ India has to downsize non-plan expenditure in Subsidies on and Government salaries and perquisites like pensions and administrative expenditures.
- ✓ Corruption wiE also have to be checked by bringing in fast remedial public grievance system, legal system and information dissemination by using e-governance.
- ✓ The petroleum sector has to be boosted to tap crude oil and gas resources within Indian boundaries and entering into multinational contracts to source oil reserves.

V. WTO AND INDIA - IN 2025

According to the WTO Secretariat Report, along with the policy statement by the Government of India, India is expected to snatch most of the business deals that are presently catering the developed nations which includes major service based industries like telecom, financial services, infrastructure services such as transport and power. The increase in availability and reduction in tariffs has prompted many developed nations to go for business with India especially in IT and ITeS industry. If the trend continues then by 2025, India is expected to cater to the software and services demands of major giants of the business world. Analyzing the present relationship with the promising economic growth of India, one can be sure that India is going to enjoy a very candid and bright relationship with WTO and associated member nations by 2025.

India has aligned itself with WTO in the goal to reduce the trade barriers and tariffs to zero by 2025. This will help in liberalization process of India and also help other developing countries become economically strong by 2025.

VI. AGRICULTURE - INDIA & WTO

Agriculture employs over 70 per cent of the labor force in low-income countries, 30 per cent in middle-income countries and only 4 per cent in high-income countries. Rapid growth of agriculture is essential for ensuring food security and alleviation of poverty.

In developing countries, agriculture still contributes significantly to their overall GDP, and it employs a large proportion of the work force. The agricultural practices are labor intensive with relatively low intensity of farm inputs. Consequently, the farm productivity in such countries is low.

As most farmers in developing countries are engaged in subsistence land farming, their participation in international trade is quite marginal. The food needs and supply gaps in developing countries are developmental problems, and thus, all their policies for agricultural development aim at harnessing the potential for increasing productivity and production in the agricultural sector.

Food security is an important and integral element of national security. Food Security, as defined by FAO, is the physical and economic access for all people at all times to enough food for an active, healthy life with no risk of losing such access, and as such is directly connected with livelihood in the developing countries. Physical access to food in developing countries can be ensured only through a certain minimum level of self-sufficiency. Taking agreement on agriculture in' account, it is recorded in the Agreement (AoA) that commitments under the reform programme for trade in agriculture should be made in an equitable way among all members, having regard to non-trade concerns, including food security. The food security concerns can be meaningfully addressed in the current negotiations only by ensuring that disciplines, especially in the area of market access and domestic support, sub serve the food security interests of developing countries.

In 2025, India is expected to be self-sufficient in the food grain production. India has good agricultural land, which is still not getting used. Most of the agriculture is done in the north India, but in the northern east and southern part, not much attention is given. If India is able to use this land properly, then the production will be enough in order to meet domestic consumption and also India will be helping other countries by exporting these.

Another aspect of AoA to be reviewed is the product coverage. It is observed that commodities like rubber, jute, coir and forestry products are excluded from the ambit of the Agreement despite the fact that they are primary agricultural products and are a source of livelihood for a sizeable rural population in developing countries. In another 10-15 years, India will hold enough power to try including these commodities in the agreement so that the countries whose primary income is from agriculture gets benefited from the agreement.

If we see India's position in WTO, even ten years after the World Trade Organization (WTO) came into existence, the anticipated gains for India from the trade liberalization process in agriculture are not huge. The WTO's Agreement on Agriculture had incorporated three broad areas of commitments from member states, namely in market access, domestic support and export subsidies.

Agriculture is especially important to developing countries. India will help them level the playing field by increasing disciplines on agricultural trade, so that they have the possibility of competing with larger countries in both their own domestic and in export markets. For ail these measures, India will closely align itself with World Trade Organization to develop laws for development of Agri-Society across the globe.

Trade liberalization and stronger support for agricultural technology - including for agricultural biotechnology - can be an important way to raise farm productivity, and spark a new "green revolution". As Indian pharmaceutical sector is in upward trend, in 2025, India will be well-developed in technology, along with biotechnology sector. These techniques will be used to invent new pesticides to counter infectious diseases, create good technology or equipments which will be used to increase the production and improve the fertility of the soil which- in turn will help to raise incomes, lower poverty, and improve nutritional levels.

VII. SERVICES SECTOR & REFORMS

Services are important for employment and employment growth. This is because many traditional services, including distribution, education and social services, are labor intensive. The expansion of /ices has been driver in particular by income-related demand shifts, benefiting for example the si and tourist industry, the economic stimulus resulting from new information and communication technologies, and the wing importance of basic infrastructural services, including transport, communication and finance, a wide range of user industries.

In next two decades, surely, services will dominate the economic activities of countries at virtually every stage of development, making services trade liberalization a necessity for the integration of the world economy. As of now, in many developing nations, like India, the service sector is single largest contributor to economic output, ahead of both agriculture and industry. Even allowing for the fact that governments are major service providers (education, healthcare, sanitation, etc.), the commercial market for services is huge and growing in virtually every country. The trend is very clear, as National economies develop and incomes rise, the commercial service sector accounts for an ever-larger share of GDP.

The services sector in India continues to expand steadily. Indeed, since the beginning of the Tenth Plan in 2002-03, with annual growth of 7.0 per cent or more, industry and services have acted as the twin-engines propelling overall growth of the economy. Over a somewhat longer horizon, in the six years between 2000-01 and 2005-06 (AE), on average, services with a share of 52 per cent of GDP, contributed 65 per cent to GDP growth and increased its share in GDP from 49.8 per cent to 54.1 per cent. By 2025, the share of services sector would surely contribute significantly to GDP growth, the proportion would be approximately similar or a difference of 5-6 per cent, trend would be increasing as India is ranked 10th in the service exporter nations, and in next twenty years, it would be surely among the top three or rather world leader in service exports. Today, India enjoys 2.8 per cent of total service exports globally and by 2025, it is expected to reach at least 12 per cent using WTO as a facilitator.

The different sectors contributing towards the growth of Service Industry:

- ✓ IT
- ✓ ITES
- ✓ Media
- ✓ Retailing
- ✓ Tourism

"Scenarios to 2025" project explores the potential directions in which India may go over next 20 years. The three scenarios presented by the World Economic Forum and Confederation of Indian Industry, draw on the views of over 100 experts from within and outside India and examine issues including global integration, geopolitical stability, employment, demographics, infrastructure, leadership, administrative reform, political reform and rural development. They are a result of a 16-month research process aimed at developing a shared understanding from which Indian policy makers, business leaders and other key decision makers can implement a strategy beneficial to India and the world scenarios:

IT, ITES DRIVING NATION'S ECONOMY

In India's case, there is a bias towards scalable IT services and software services. Currently, IT services and IT-enabled services (IT and ITeS) account for 47 per cent of India's total services exports. On a conservative estimate, we expect IT and ITeS exports to rise to US$ 50 billion by 2010

(National Association for Software Companies estimates India's IT export revenues to be around US $50 billion by 2008).

Due to strong growth in IT and ITeS, India's commercial services exports are currently growing at 20 per cent compared with 13 per cent for China.

According to NASSCOM, 245,500 people were employed in the IT-enabled business processing services sector as of March 2004, generating export revenues of about USS 3.6 billion. The primary reason for the strong growth in this sector has been the wage cost savings enjoyed by MNCs.

The Indian manufacturing sector is constrained by relatively inefficient and high-cost infrastructure facilities - namely electricity, roads and ports. We believe that the lack of adequate infrastructure is becoming a constraint to interstate as well as global trade. With the exception of a select few like Reliance Industries, many Indian companies, which have a globally competitive cost structure, are not able to scale up their operations. We believe that, among other reasons, the lack of availability of quality infrastructure at reasonable cost is the key constraint. Among other factors, poor infrastructure facilities are hurting the competitiveness of the small-scale sector more than the large companies.

Since the liberalization effort was started in 1991, the government has pulled back from investing in infrastructure, assuming that the private sector will participate. However, it is to be believed that this is unlikely to happen in the medium term. In addition, rebuilding infrastructure on a nationwide basis may take longer.

Therefore, in the near term, the government could partially address this issue by developing special economic zones at strategic locations with world-class infrastructure. Investment in infrastructure sector needs to be increased to at least 15 per cent of GDP (about USS 165 billion) from about 6 per cent currently to sustain GDP growth of 7 per cent.

When these issues will be addressed before the WTO meet around 2025, India would surely be in a position to come up with certain proposals wherein it could capitalize on its latest infrastructure development and have an edge over other developing nations.

VIII. CONCLUSION

The optimism behind such optimism, according to the study, comes from the following new dynamics in India, which definitely proves as an advantage over other developing Nations:

- ✓ Favorable demographics;
- ✓ A large pool of low cost, skilled labor;
- ✓ Entrepreneurial, indigenous companies;
- ✓ Continuing economic reforms and global integration;
- ✓ A stable political regime and democracy;
- ✓ A record of high, sustained growth rates.
- ✓ Using these dynamics in framing any new policy to be presented in WTO meetings would surely boost the success of the nation.

India's voice carries weight and credibility in many areas of world and many developing countries would look at India as a leader in major global issues. The close relationship between India and US towards the development of such countries, would lead a new era of US-India Relations - into reality.

It won't be a bad idea if Indian textile and garment Industry go multinational setting their foot in western Europe, North Africa, Mexico and other such strategically located areas for large US and European markets. The performance of India in attracting major FDI has also been poor and certainly needs boost up, if India has to develop globally competitive infrastructure and facilities in its sectors of interest for world trade.

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