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WTO and Its Impact on Indian Economy

Dr. Rajni Sharma

Associate Professor in Economics, Government M.S. College for Women, Bikaner, Rajasthan, India

INTRODUCTION

The World Trade Organization (WTO) is a global level organization for the expansion of global trade in general and trade in developing countries in particular. It came into existence in 1995 and replaced General Agreements on Tariffs and Trade (GATT). The main objectives of WTO are: -

1. Optimum utilization of World resources
2. Sustainable development
3. Protection of environment
4. To produce and expand of goods and services
5. To raise the standard of living and
6. To promote global trade among countries.

The Geneva based WTO is a multilateral organization that enables its members to negotiate on multilateral trade. It is a legal institution and its rules are legally binding in nature for its member countries. WTO is functioning to establish a refine of free and fair trade.

WTO is an inter-governmental organization and mainly focuses on the process of dialogues and negotiations to have consensus. It has to face various hardships to achieve its objective of equitable trade flows, as around 75% of its members are either developing countries or least developed countries. The developed countries account for nearly 70% of global trade whereas about 49 least developed countries have been captured only 0.5 % of world trade. India accounts for nearly 0.6 % of world trade.

The WTO agreements comprises of the Uruguay Round agreements and other like agreements on textile and clothing, agreements on TRIPS and TRIMS, agreement on agriculture, agreement on trade in services and dispute settlement mechanism.

THE AGREEMENTS AND MAJOR ISSUES

Trade Issues

- Trade facilitation
- E- commerce
- ITA – II Negotiation
- Industrial Tariffs

Non-Trade Issues

- Investment
- Environment
- Labour Standards
- Social Cause
- Competition Policy

The WTO agreements is spread over three main parts- Goods, Services, and Intellectual Property Rights. The WTO is an international organization, which has quasi- judicial Rights. However, most of the countries of the world have agreed with code of conduct given by the WTO, as it is an effort to strengthen world trade and to raise share of the developing countries in total world trade. WTO members operate without any bias or favour towards any other country. Each country receives guarantee that its exports will be treated fairly and consistently in the markets of other countries.

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INDIAN ECONOMY AND WTO

Emergence of EC 99 and the transition of GATT to WTO are two important events during the 20th Century for the world economic system. Both these events have far reaching implications in the explanation of economic globalization in a multilateral trading system particularly for the larger developing economies such as India. These economies are on the cross road and are skeptic about future under the changed trade environment

The WTO focuses on key issues of interest of developed as well as developing countries and some sensitive issues related to tariff, non- tariff barriers, agriculture and environment which influence the trade structure and pattern of economic development of the developing nature of Indian Economy. As a member of WTO India has enough scope for expansion of joint ventures in the country. However, WTO process need to be reform oriented and it should ensure that decisions are more participative, with visible benefits flowing to all countries.

This paper deals with some key issues that influenced the Indian economy by the new trade arrangement of WTO and pinpointed the policy option for Indian economy to gain from new trade arrangements of WTO to cope with the process of globalisation of Indian trade.

Economists have to play the pivotal role to provide competitive strength to gain from trade to speed up sustainable development with protection of environment, which would depend largely on choice of technology and cost of technology.

Following are the important issues come into sight when we have explored potentiality for further growth of Indian trade under the WTO regimes considering various sectors of the economy and affects the Indian economy.

1. A well-planned strategy should be followed by policy makers to increase the Indian share in world exports. Diversification and sustainable agriculture is the basic requirement to increase the Indian share in world trade.
2. There is a need to have some legal reforms with respect to WTO and globalisation of Indian trade to provide much required legal protection for market access of agricultural products and commodities manufactured by small-scale industries in world trade.
3. There must be an effective anti dumping tariff strategy to cope with the dumping by china and other countries to damage agricultural and small industry products in global competition.
4. The bringing of Intellectual Property Rights (TRIPS) in the perview of WTO would also have serious effect on Indian agriculture through patenting of seeds, sui-generis system. This situation demands the change in the present patent law in the country.
5. To increase share of Indian trade in global scenario, technological advancement in agriculture, industrial and service sector products is required. To fulfill this requirement scarcity of fund is the main hurdle. There must be some provision in the forth-coming plans to overcome the situation.
6. Being a quasi-judicial body WTO should have code of conduct for the developed countries to stop exploitation.
7. Multinational are selling technology as a commodity in global market and charging discriminately from country to country. There should some provisions in developing countries like India to prevent this discrimination of prices to save the local small-scale industries.
8. In the recent years technology and knowledge industry, including information technology are the most competitive sector in Indian economy. There should be some strategic policy initiatives to be taken to strengthen domestic R&D activities to make the indigenous technology and knowledge industries emerge as the most competitive sector in near future.
9. Multilateral agreement on investment, labour standards, child labour, trade environment linkages are the new issues to Indian economy and they should be treated on priority basis by the policy makers.
10. Liberalization and globalization in the fields of the banking and insurance sectors will affect the domestic banking and insurance industries. The government should monitor and control the instabilities that may be generated by the external shocks in these fields.

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11. Some strong steps must be taken to monitor and control the internal and external debt burden as it would adversely affects the competitive strength of Indian economy.
12. There should be a necessity to evolve a global financial architecture to control the volatility and instability of capital markets and exchange rates so as to manage Indian capital and forex markets under the new rule based discipline framework of WTO.

SUGGESTIVE MEASURES

1. The Government of India will have to make provision in legal framework to stop exploitation of women and child laborers, whereas relaxation is required for people engaged in Information Technology as this business go round the clock.
2. Liberalization and globalization are inevitable stages in the process enhancing the economic opportunities with active participation of all countries with capacity building in areas of humanizing the process of economic development. It is most necessary to improve social opportunities and human capability to boost our global trade.
3. The Government of India should revise the Indian Patents Act of 1970, under which Pharmaceuticals and agro chemical patents are given like five to seven years. Our pharmaceutical industry, chemicals and Petrochemical industry need strong ethical brands to cope with globalization process.
4. The Government of India will have to plan for Information Technology Agreement and agreement on basic infrastructure like telecommunication and financial services to boost the markets. This helps to India in a dominating in IT business and in software exports order to protect our people in global market.
5. The Government must change focus on centralized bargaining in the interest of unorganized markets, unorganized labour flexibility in labour markets. It is to be done because the WTO working group on trade and labour standard must ensure non-tariff barrier, international NGO'S and trade unions on our side in this era of competition.
6. The Government of India will have to lower tariffs to benefit from WTO negotiations and it is equally necessary to care for domestically prohibitive goods and products banned. Political economy of transfer of pollution and polluting technologies results from weak bargaining. The government will have to give necessary period for adjustment to the concerned industries.
7. An increase in production and income may result an increase demand of environmental goods like clean air, fresh water and food security to rising population of India. There is a need for multilateral environmental agreement and WTO framework in favour of the third world countries like India.
8. The WTO is not clear about the development of non-tariff barrier to imports from the third world, such as anti-dumping duties, particularly for India. It is feared that the major economic power may enforce their will to small players. It must be recognised that India cannot change at its own except global code of conduct about this skeptical about benefits.
9. The Government of India will have to go in for Economic Reforms in Agriculture sector to raise strength of the sector by policy initiatives like market: (a). Reform including support price, procurement and public distribution system, (b). Technology and protection of intellectual property, (c). Pricing of inputs and (d). Institutional infrastructure.
10. There are three areas on which India should remain firm : i. Labour Standards: ii. Trade and environment, and iii. Multilateral agreement on investment. The India need to be proactive member in the WTO. Being the world's second largest emerging market, India is important destination to business organizations from other countries and Indian companies will have to understand our important regulations and the rules for foreign investments and companies set up office in India and/or hire the best Indian consultants/NGOs. WTO system allows this facility to all members.

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CONCLUSION

It appears that Government of India will have to protect interest of states having unorganized sector, unorganized industries, unorganized labour market existence. In any case, globalization of trade process under the umbrella of WTO should not adversely affect from long-term point of view to agriculture, agro- business, small-scale exports and pharmaceuticals by the multinationals. It is necessary to increase a share of Indian trade in total global trade. It is high time for corporate of India to encourage R&D to increase competitiveness in global markets to face global competition in 21st century. More equitable global trade will enhance development process and migrants can contribute to increasing trade with their home countries, which may ultimately lead to higher employment, output and rising GNP levels.

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