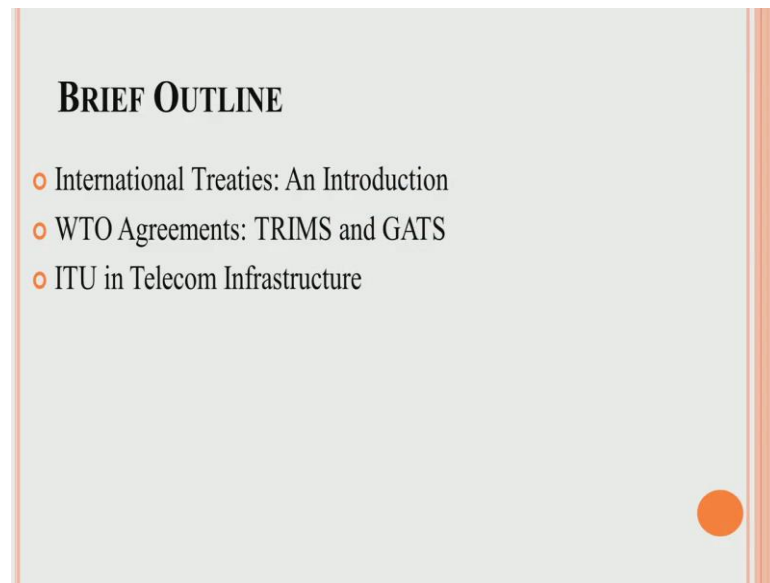


Infrastructure Economics
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Module – 06
Lecture - 24
Global Treaty and Infrastructure Development

The new topic of discussion is Global Treaty and Infrastructure Development.

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The brief outline of this presentation is, we will discuss briefly some of the international treaties such as, as a part of world trade organization and before world trade organization, we had two important treaty such as general agreement on trade in services and also trade related investment measures, which has direct linkages with the infrastructure development in the world today. We will also try to present ITU International Telecom Union as a part of case study in this presentation.

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INTERNATIONAL TREATIES: AN INTRODUCTION

- International treaties are the written agreements between two or more countries, mutually or collectively agreed upon
- It is based on consensus
- Globalization and economic integration are the outcome of the international treaties on specific issues
- Globally agreed regulations are the key for the harmonization in economic, social and political issues

So, what is basically International Treaties? International Treaties are basically the written agreement between two or more countries, which is mutually or collectively agreed upon. It is based on the consensus, international treaties are well discussed, well accepted and it is basically argued before it is being signed by anybody. Globalization and economic integration are the outcome of international treaties on specific issues.

We find out that global agreement and regulations are the key for the harmonization of economic, social and political issues in the world today. And if we have interdependency on the world today, if we have the connectivity on the world today, we cannot really work on without signing an agreement, without signing a treaty. And in such a situation we have to have a global treaty in force, then only various economics of the world can walk together and can really have the conducive atmosphere for the infrastructure development.

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AGREEMENT ON TRADE-RELATED INVESTMENT MEASURES (TRIMS)

- TRIMS Agreement was negotiated under the Uruguay Round of WTO (1986-1994), applies only to trade in goods
- It aimed at removing all investment measures that are trade-restrictive and trade-distortive
- Promotes the expansion of trade
- Progressive liberalization of world trade
- Facilitate investment assuring competition
- Trade and development of developing countries

So, what is basically required here is the general consensus on the agreement, one cannot forget here to discuss that Trade Related Investment Measures, which was not part of the GATT agreement till the last Uruguay Round. But, TRIMS agreement was negotiated under the Uruguay Round of WTO, which is the last round between 1986 to 1994, which applies only to the trade in goods, but this agreement has certain influence on investment related matters and it aimed at removing all investment measures that are trade restrictive and trade distortive in many developing country.

And it promotes not only in developing country, but also in developed and least developed country, this agreement is promoting and expanding the trade potential of the country. And it is one of the support to the developing and least developed countries and also to have a final look on the developed countries conditions on the trade restrictions and trade related investment measures.

It is a part of the progressive liberalization of the world trade, because it facilitates the investors assuring the level of competition. Because, the moment you are having different controls on the investment for the international players, you are basically protecting your own local investors and in that situation, they are not really in the position to complete with the global producers of the world. One can see here that there are many investors today in varieties of sector in many developing country like India.

Even in telecommunication, one can see that or many other manufacturing activities one can see that there are many investors, which were not really found before such

agreement. Now, they are really one of the major partner in our economic development and they are also getting benefit at the same time with those investment and the transfer of technology. Any developing country is also equally getting the benefits of certain agreements and that agreements cannot be forgotten, when we are discussing infrastructure development. So, trade and development of developing country was also one of the agenda of such agreement, which is named as the trade related investment measures.

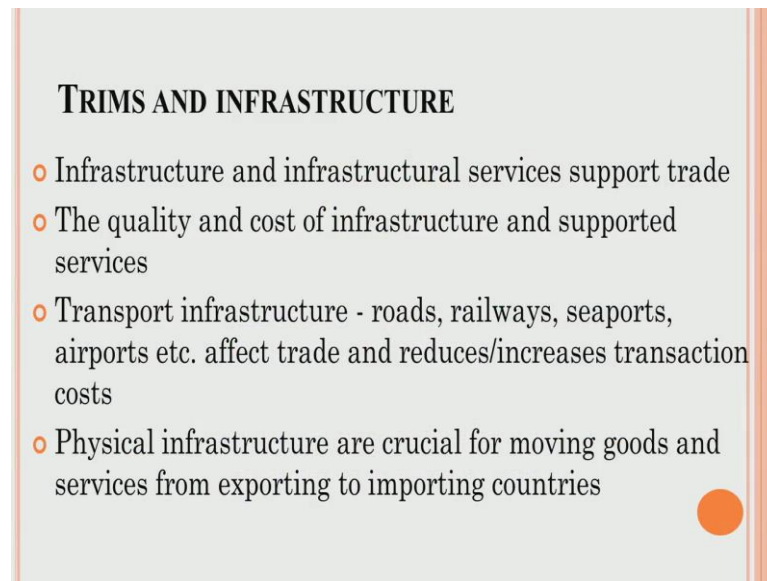
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Let me discuss the two basic requirements, because TRIMS provides an opportunity to the countries to have the market access and the performance requirements for the investment. For example, if a investor is really joining a country, investor may join a countries, other entrepreneur as a joint venture, as a partner equity partner and through that activity, they are really having the market access in other country.

At the same time, the performance requirements includes for those investors, who wants to really join the investment in other country, they cannot really ignore the fact that they have to really have certain contribution for the local development and to have the enhancement to perform the export. So, finally, all these activities are basically also supportive for the balancing the foreign exchange and a country should have a condition, where the foreign exchange is possible and there should not be too much barrier for the foreign exchange. Otherwise, whatever investment is coming they are not really, that will not be really practiced, because if you have restriction on foreign exchange, then you are not really allowing them to come and join the economy.

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TRIMS AND INFRASTRUCTURE

- Infrastructure and infrastructural services support trade
- The quality and cost of infrastructure and supported services
- Transport infrastructure - roads, railways, seaports, airports etc. affect trade and reduces/increases transaction costs
- Physical infrastructure are crucial for moving goods and services from exporting to importing countries

So, TRIMS and infrastructure and infrastructural services supports the trade, the quality and cost of infrastructure and supported services is impossible without having the investment. So, transport infrastructure such as road, railways, seaports, airports, etc. affects the trade and reduces and it basically increases the transaction cost of the production. So, physical infrastructures are crucial for moving goods and services for exporting to, from exporting to importing countries.

It is true that TRIMS looks for the investment related to goods, but at the same time if the countries not having full-fledged physical infrastructure ready, then whatever investment is supposed to be targeted for the goods market, they are not really in the position to move out from one country to other country. So, entire third process of the trade related investment measures is to find out, how the goods can really move from or the factors of the production can move from one country to other country and how the exporting of, how the exports and imports will not face the barriers, investment do support that export and import in the barrier less condition of the economy.

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TRIMS AND INFRASTRUCTURE

- Financial infrastructural services support trade
- A study of the World Bank (2001) shows that out of 216 US trading partners, 168 countries' transport costs barriers outweighed tariff barriers
- Transport infrastructure affects trade
 1. Poor quality of infrastructure increases total transport costs
 2. Transport infrastructure, affects country's comparative advantage

So, financial infrastructure services supports trade, a study of the World Bank shows that out of 216 US trading partners, 168 countries transport costs barriers which has inflated the tariff barriers in partner countries of the United States. So, transport infrastructure directly affects the trade, poor quality of infrastructure increases the total transportation cost, goods are stuck, final finished products are stuck on the way and delivery is late, at the same time products are destroyed on the way, they are not really reaching to the safe destination in the safe mode.

And that creates the huge cost of the transport, which developing countries or and many, many transition economics are facing today. So, transport infrastructure affects the countries comparative advantage. If a country really having updated infrastructure facility up to the mark, transportation facility, the countries really having a much better comparative advantage from other country.

So, the trade related investment measures, which do supports the investment for the bringing of countries to have more better trade potential to have more better conditions in the global market; that is only possible when the investment in the goods linked with the infrastructure support in a country.

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THE GENERAL AGREEMENT ON TRADE IN SERVICES (GATS)

- GATS is negotiated under the Uruguay Round of the WTO to ensure foreign investment in services on all the four modes of services
- The Agreement came into effect in 1995
- It is the only global agreement on services trade
- It requires each Member to submit a schedule of specific commitments that mentions Market Access and National Treatment to other members

The second agreement which is the general agreement on trade in services is negotiated under the, again the Uruguay Round of the WTO to ensure the foreign investment in services on all the four modes of services. The agreement came into effect in 1995 and it is the only global agreement on services in trade. It requires each member to submit a schedule of specific commitments and mentions the market access and national treatment to other members.

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FOUR MODES OF SUPPLY OF SERVICES

- Mode 1: **Cross-border supply** (e.g. telecom)
- Mode 2: **Consumption abroad** (e.g. tourism)
- Mode 3: **Commercial presence** (e.g. foreign banks)
- Mode 4: **Movement of natural persons** (e.g. Professor teaching abroad)

There are four modes of supply of the services, the mode 1 is the cross border supply, in mode 1 we can have the example of the telecommunication. Mode 2 is the consumption outside the country such as the tourism, mode 3 is the commercial presence as we are

seeing that, many international banks are also getting the position in outside the domestic economy and mode 4 is the moment of natural persons such as the professors teaching outside the country.

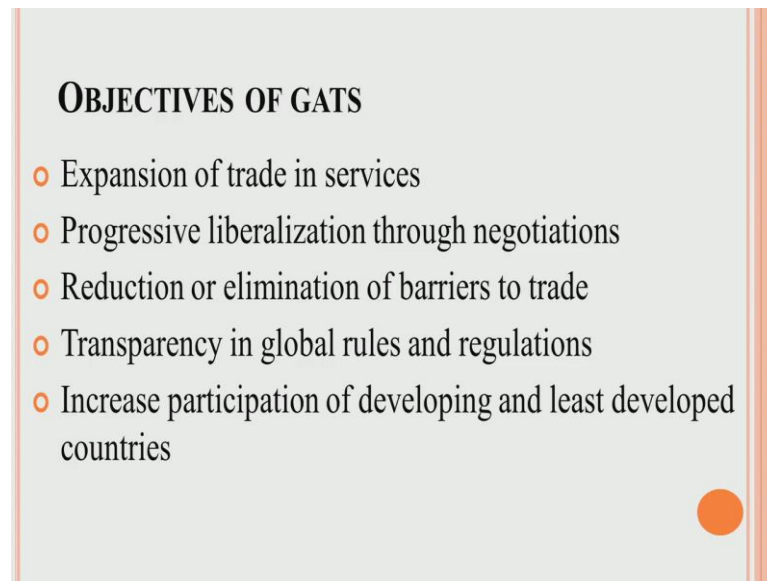
So, here we can see that in case of a telecommunication as a part of mode 1 or in case of tourism as mode 4 or commercial presence in case of mode 3, some of the things are the part of the physical infrastructure, where the general agreement on trade in services is helping the country. At the same time, the banking facilities or the growth of tourism do influence the further infrastructure development of hotels and other supporting systems such as restaurants and other activities.

So, when we have this type of agreements, general agreement on trade in services and a trade related investment measures two different agreements as a part of the Uruguay Round. We found here that the world is more inter dependent to these treaties, because investors cannot really leave the place without understanding the meaning of these treaties, a cross border supply of various services are being done today and it is the, basically the structures of the agreement that there is a global rule to have such supply of services at the global level.

Again the consumption aboard certain services, which is consumed abroad is also being done, such as tourism and the commercial presence of certain banks, certain insurance companies are also available as a part of mode 3. And the fourth one, the mode 4 is the most controversial and debatable topic today, because here it includes the shift of the word force from one part to other develop and many other developed countries and developing countries are not really supporting such moment of natural persons.

So, the objective of the GATS in few points, if one has to see the it is the expansion of trade and services progressive liberalization to through the negotiation reduction or elimination of barriers to trade transparency in global rules and regulations and increasing participation of developing and least developed countries in trade and services.

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So, all these objectives of General Agreement on Trade and Services (GATS) proves that such services cannot be achieved without the support from the infrastructure development. Whether it is the matter of tourism or matter of banking and financial services or the physical infrastructure are certain services such as telecommunication and IT based enable services all these require certain infrastructure developed in the world today.

And these two treaties General Agreement on Trade and Services and the Trade Related Investment Measures are if they are complementary, because one looks for the investment related measures in goods and this particular agreement looks for the General Agreement on Trade in Services. If an economy in the position to have the best return out of these two treaties they are really getting the benefits not only in the goods, but also in the services sector.

And the telecommunication or other infrastructure, which is really helpful in expanding the freedom of the people expanding the mobility of the people, is really required for the further development of the economy. So, not only the good sector, but also the services sector requires the varieties of infrastructure facilities and an economy cannot really continue growing faster and faster without such facilities these global treaties are basically, made for making an economy more active partner in international trade.

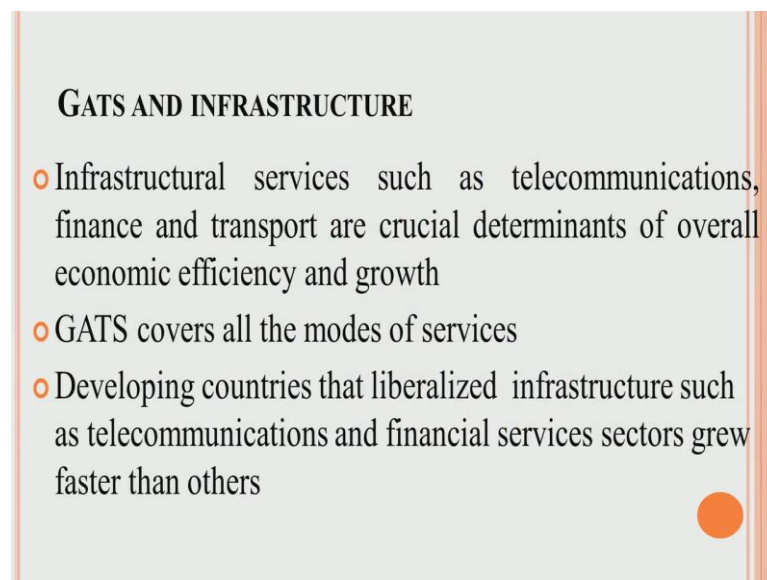
And this is only possible when the economies are really reducing the barriers in international trade eliminating in the barriers international trade such as reducing the

tariff trades, allowing the multinational corporation to join the companies, join the country as the interment, allowing them as the 100 percent partner. In many projects on a infrastructure or many other manufacturing activities and that has happened in many developed and developing countries today in last 10 years.

So, we have seen that in the post, WTO post, GATS and post TRIMS era, we are finding that there are opportunities for developing country to develop the infrastructure, because these opportunities are not only dependent on the countries inbuilt resources. But these opportunities are also, because countries in the position to depend on the other factors of production available outside the economy. So, such agreements are really helping the developing country to get a new type of entrepreneurs as India has seen in case of telecommunication.

And to reduce the barriers to gets more products from outside, more technology from outside, more investment from outside. And we are finding; that is true that the agreements are concentrating in some specific sectors, but at the same time final result is not concentrating in one sector, but the final results in the economy is seen in varieties of sectors.

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GATS AND INFRASTRUCTURE

- Infrastructural services such as telecommunications, finance and transport are crucial determinants of overall economic efficiency and growth
- GATS covers all the modes of services
- Developing countries that liberalized infrastructure such as telecommunications and financial services sectors grew faster than others

So, the infrastructure orbital's such as telecommunication finance and transport or crucial determinants of overall economic efficiency and growth as we have already discussed few minutes back. That there are certain facilities, which are generated as a byproduct of certain treaties and certain agreement between two countries and more than two

countries. So, this GATS covers all the modes of services and when mode 1, mode 2, mode 3 and more 4 is really practiced in between the two economy and more than two economies.

There is certainly by products coming from, certain experienced and developing country, that liberalize infrastructure such as telecommunication and financial services, they are really growing faster, than those economies which are not really developed in telecommunication and financial services. So, this shows, that how the liberalization of certain services is going to give us better result in growth telecommunication alone is the example, where we have added around 90 crore subscribers in last few years and that is one of the magical number for the world today especially in India. Since the telecommunication is the is one of the major partner in services as well as major partner of a major aspect of infrastructure growth.

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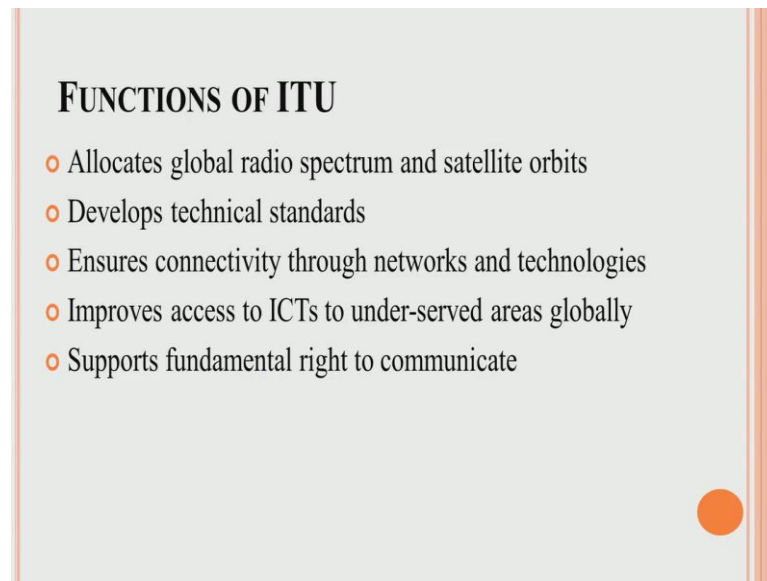
ITU

International Telecommunication Union (ITU) –UN agency specialized in information and communication technologies (ICTs)

- ITU have both public and private memberships
- 193 Member States
- Members include ICT regulators, academic institutions and about 700 technology companies

So, we cannot really ignore, that discussion on international telecommunication union, which is one of the UN agencies specialized in information and communications technologies. So, it has both public and private membership and 193 member states or included as a part of the ITU today and member includes the regulators academic institutions and about 700 technology companies. And it shows that, how ITU is really helpful in infrastructure development.

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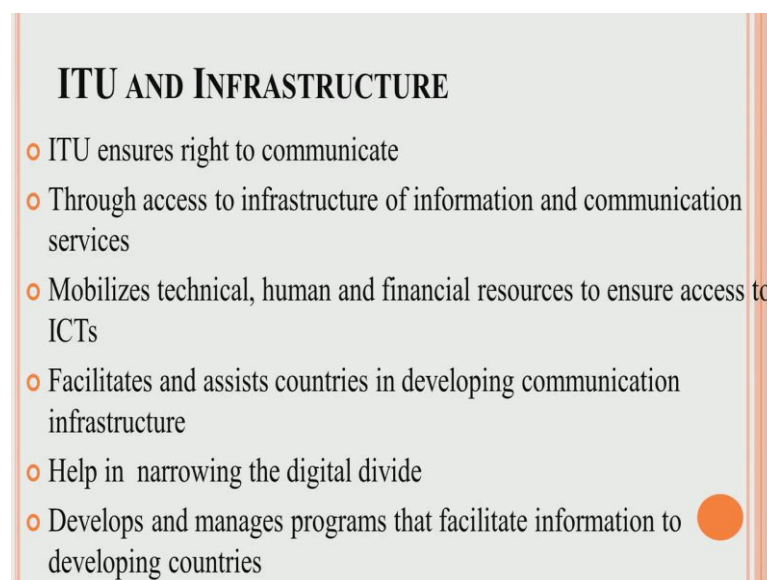


FUNCTIONS OF ITU

- Allocates global radio spectrum and satellite orbits
- Develops technical standards
- Ensures connectivity through networks and technologies
- Improves access to ICTs to under-served areas globally
- Supports fundamental right to communicate

The functions main functions of the international telecom union is allocating the global radio spectrum and satellite orbits developing the technical extenders ensuring the connectivity through the networks and technologies improving access to ICTs to underserved areas globally. And supports the fundamental rights to communicate and in fact, the International Telecom Union do consider telecommunication facility as the human right for the current population of the world.

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ITU AND INFRASTRUCTURE

- ITU ensures right to communicate
- Through access to infrastructure of information and communication services
- Mobilizes technical, human and financial resources to ensure access to ICTs
- Facilitates and assists countries in developing communication infrastructure
- Help in narrowing the digital divide
- Develops and manages programs that facilitate information to developing countries

So, international telecom union do ensure the right to communicate through the access to infrastructure of information and communication services it mobilizes the technical human and financial to ensure the access to the information and communication

technologies. It facilitates and assists countries in developing communication infrastructure and help in narrowing the digital divide, which is the major challenge for many developing country today, it develops and manages the programs that facilitate information to the developing country.

So, we find here that lots of steps being taken by the ITU for developing the infrastructure in telecommunication in the world today. And it is really motivating for many developing countries to reduce the digital divide and to get assistance from the international telecom union.

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To sum up, we can see here that these global treaties or the key treaties in ensuring the quality infrastructure based on the standards, technical, regulations, testing, management, certification and accreditation and speeding out the entire forces of different factors of production for the economic growth. It is true that these treaties are more recent in nature, because it came after the Uruguay Round, but at the same time the results are for reaching and this shows that how certain treaties are really impacting the infrastructure growth in many developing and least developing country today.

Thank you.