

International Finance
Prof. A. K. Misra
Department of Management
Indian Institute of Technology, Kharagpur

Lecture - 28
World Trade Organisation

In session twenty eight we will be discussing on world trade organisation. Here you have to discuss how the world trade organisation has helped in developing the world economy, what are the issues are there in world trade organisation, how developing country or developed country they negotiate for the world trade and what are the challenges are there at present with the world trade organisation.

Before discussing about world trade organisation we should understand that prior to world trade organisation, the body of world trade organisation, not as a body called general agreement on trade and tariff and trade, GATT, association among developed and developing country established in 1948 for the growth and expansion of world trade for the smooth progress of the world trade.

As you know, after 1945 second world war, many developing country got their independence and they tried to develop their own economy by practising, what is called a protected economy system. It is not only develop, developing country, many developed country also adopted the policy of protectionism and with the prime, prime requirement they thought for to develop their old domestic economy. This protectionism led to decline in world trade, led to what is called a misallocation of resources in the world economy. And for the progress of the world economy, for the progress of the smooth flow of world trade, the GATT was established in 1948. Over the period of negotiations the GATT established or developed, what is called world trade.

However, early nineties it was realised that the world requirement of GATT is not fruitful for the present day economy. The world trade has migrated from the mineral resources trade to trade in services; trade in intellectual property; trade in agriculture; trade in, what is called factor of production including the labour forces; trade in there is a requirement for trade in investment purpose also. So, these are the new dimension has come to be discussed in the world trade and the old GATT format is not possible to discuss these, these new new requirements. And in 1992, the Uruguay round of


negotiation of world trade, there was a discussion to abolish the GATT and establish, what is called, a world trade organisation. And the basic requirements of world trade organisation, they define it, what are the new process should be included in the negotiation, negotiation of world trade system; what are the new dimensions required for the, to be discussed in the world trade; what are the new system procedures to be designed to resolve the conflict among the countries. These are the things they discussed in world trade and established the world trade organisation, where all developed, many developing country and developed country were member of the world trade organisation at present.

Let us discuss about the requirement challenges of world trade organisation and how developing country have got some kind of benefit out of the establishment of the world trade system.

(Refer Slide Time: 04:31)

WTO - background

- Built on GATT (1948), established in 1995
- 151 member countries – Secretariat in Geneva
- Member-driven organisation – cooperation between states/governments
- The power is in the committee-structure, where civil servants from the member countries are participating
- Decisions based on consensus
- Lower tariffs for industrial products
- Agriculture
- Textiles and clothing
- Services
- Intellectual Property
- Dispute settlement



Let us move to the world trade organisation. The background, as I mentioned here, the built on the GATT, general agreement on trade, and tariff and trade, which was established in 1948. On the basis on this the world trade organisation was established, WTO established in 1995 and 151 members country, secretariat in Geneva, member driven organisation, cooperation among states and governments. Their members are, members are established the rules, regulations for the, for the world trade organisation.

The power in the committee structure where civil servants were the members, member country are participating, the nominate, nominating the country, nominate their representative for the WTO organisation. The representative discuss about the whole WTO process, procedures, rules and regulation. The decisions are taken on basis of consensus. Then the primary consensus were, that how to reduce the tariff for industrial, industrial output; how to negotiate for the agricultural trade; how to negotiate for the trade in cloth textiles and clothing; how to negotiate for the services sector, export-import; how to design the policy procedure for the intellectual property rights; how to, how to reduce, how to, how to tackle the dispute among, among different countries in the world trade procedures. These are the background on which the world trade organisation was established in 1995.

(Refer Slide Time: 06:04)

What is WTO doing ?

- WTO is **administering** the existing agreements
- WTO is a **forum for negotiations** of new trade rules and liberalisation of the world trade
- WTO has a **dispute settlement** instrument to solve trade conflicts between member states
- WTO is regularly doing **Trade Policy Reviews** of individual members
- WTO assists in **technical assistance and capacity building** programmes for developing countries
- WTO **co-operate** with other global institutions



If you see, what is the, what world trade organisation is doing? What are the system procedures? What are the requirements for world trade organisation? What they are doing over the years? If you see, that WTO is administrating, administration, existing agreement, WTO is organisation, which administers the existing or existing rules, regulation or the agreements. WTO is a forum for negotiation of new trade rules and liberalisation of world, further liberalisation of world trade. It is a forum for negotiation, member country participate in the negotiation process. They design the new trade policy, new rules, regulation and also, they design, design the rules, regulation, for further liberalization of world trade process.

WTO is a dispute settlement; it is organization of dispute settlement. Whenever there is a dispute between two countries or among countries, they establish the rules, regulation, the instrument to resolve the conflict. WTO is a regulatory, regularly doing trade policy review, review the trade policy. They see, they see how the world trade is functioning, where is there is, where is, where is there is problems of world trade and try to find out the challenges of world trade and try to negotiate for the further liberalisation of world trade.

WTO assists a technical assistance and capacity building program for developing country. WTO, there is a, there is a, there is a, there is a separate department in within the WTO. They provide technical assistance and capacity development for the developing country to improve their trade and trade revenue.

WTO cooperates with the other global institution. There are many global institutions are there, like IMF, world bank, world bank international development agencies are there, they try to cooperate with the world institution for the smooth flow of, smooth progress of the world economy and assisting the world, different country, for their trade and for the revenue sources.

So, it is a body of administration; it is a body of framing rules, regulation; it is a body for framing the, resolving the dispute among the, among the countries; it is the body of liberalising the trade, trade, trade regulation; it is a body for assisting the developing country; it is a body, it is an organisation for, to cooperate with the world financial system, world financial organisation for the smooth flow of world trade.

(Refer Slide Time: 08:44)

What is WTO doing ?

- WTO is **administering** the existing agreements
- WTO is a **forum for negotiations** of new trade rules and liberalisation of the world trade
- WTO has a **dispute settlement** instrument to solve trade conflicts between member states
- WTO is regularly doing **Trade Policy Reviews** of individual members
- WTO assists in **technical assistance and capacity building** programmes for developing countries
- WTO **co-operate** with other global institutions



So, what are the principles of WTO? When we discussed about WTO, what are the principles are there on which the WTO frame the guidelines? The WTO should secure non-discrimination through two sets of principle. It is a body of, which never differentiate among country. It is a, it is based on the two principle of non-differentiation, not, non-discriminating principle, the principle of non-discrimination here, most favoured nation as MFN-principle. It never differentiates among members country, all members' countries are equal, they should give equal importance to each other country for trade purpose.

It is a body of national treatment, NT-principle, non discrimination between national and foreign company. The organisational member country, they, they should not differentiate between the foreign company and also a domestic company, they should provide same kind of treatment on policy to, to, to all company, which, which are, may be domestic, may be foreign company.

Then the principle of principle of tariff reduction, over the period the world, world economy should transit to a minimum tariff in world trade system. There should be, should not be any discrimination to the principle of FMN and NT, that is FMN, most favoured nation, national treatment, there should not be any discrimination.

The protectionism should be reduced through the liberalisation of world trade, through negotiation process. Abuse of big trade power should not be there. Big trade country, like

the US or the European country should not so or the other, other developed country should not abuse their position being a developed or being a big power, being possessors of natural resources. There should be rule based system for dispute, dispute resolution. The abuse of power should not be there in the world trade organisation.

So, these are the principle of non-discrimination principle of most favoured nation, principle of world tariff reduction, principle of reducing the protectionism in world trade, principle of not abusing the big, big trade power. These are the principle upon which the WTO or the world trade organisation established or works.

(Refer Slide Time: 11:26)

Areas of Negotiation

- Trade in industrial goods (GATT)
- Trade in services (GATS) – from 1995
- Trade in agriculture (AoA) – from 1995
- Intellectual property rights (TRIPS) – from 1995
- In addition: underlying specific agreements on anti-dumping, subsidies, technical barriers to trade, import licensing, customs valuation etc



So, what are the areas of negotiation? Over the year the GATT, the trade in goods and services, goods was there in case of GATT. GATT was only for the purpose of establishing a smooth flow of goods only. So, however WTO has a large umbrella, that many areas of negotiation has been included in the WTO agreement. The agreement includes the industrial reduction of tariff, trade in services, that is, GATS, GATS, general agreement trade in services, general agreement on agriculture, general agreement on the intellectual properties, trade in intellectual properties rights, general agreement including, which includes the, what is called, antidumping.

So, should not be antidumping measures, there should not, there should be over the year reduction of subsidies, there should, should be, over the year should be reduction of technical barriers in trade. There should be reduction of import licensing, process

reduction of custom duty, valuations of companies and most favoured nation status to each, each of the member country, national treatment to a foreign company. These are the areas of negotiation, which WTO has been considering over the year.

They have already achieved in trade in services, trade in agriculture, trade in power intellectual property, trade in investment. These are the some areas negotiation has been done and there has been further progress in liberalising the world trade and new area of negotiation have been included recently also.

(Refer Slide Time: 13:05)

Agriculture, Textiles and clothing

- Tariffization of agricultural protection
- Tariff reductions
 - 36% average reduction in first round
- Market access guarantees
 - imports at least 3% of domestic consumption
- Reductions in public subsidies
 - cuts by 20-36 % of subsidy levels
- Phasing out of MFA over ten-year period
- Integration of half of imports into GATT system during transition process
- Liberalization of remaining quotas during transition process



There are some discussions are there on agriculture, textile and clothing agreement. If you, if you remember, that prior to the WTO, India, India was a, India, Indian economy particularly, not, not getting the benefits of the textile and clothing sector. India has a zone of, India is, is a zone where textile and clothing, India was getting significant of world significant revenue in the form of export.

However, however the most important partner of world trade was USA. USA was putting India on the negative list of the textile and agriculture, textile and clothing because India is a cheap, a cheap producer of textile and clothing and this cheap production process hampering the US economy was for the US threat. So, US were putting negative list in the, for the Indian economy for the textile and clothing export and India was suffering a loss because of that reason. After that WTO agreement India got what is the status of most favoured nation and a, and the MFN guideline, the MFN

guideline improve helped India in getting good exports to world economy, particularly US, USA and in this way Indian, Indian cloth and textile sector get the opportunity of US, US, US area and they got good amount of export. However, there are many such kind of agriculture and textile and clothing sector.

Many such, such activities are there, which has been discussed in world trade organisation for the, for the benefit of the developed and, and developing country. Over the year, through the process of negotiation, the tariff, tariff in agriculture protection has been reduced. The reduction of tariff, significantly on an average 36 percent in the first round of negotiation and there has been reduction, significant amount of tariff in agriculture export, agriculture import has been reduced. Market, market access guarantee, developing country got the market access guarantee in case of agriculture, textile and clothing. Import duty, actually, has been reduced to 3 percent domestic consumption.

Deduction in public subsidy, subsidy in the form of export for agriculture production, these are the major areas of our dispute among developed and developing country. Developed country has been provided significant subsidy for the agriculture sector, which in that way, which they have the power, they have the muscles, they have the money to do that. But developing country were not there, not giving such a significant subsidy to agriculture sector and this way the agriculture export was not in favour of developing country. And this, this is of trade negotiations over the, in the WTO they discussed about the tariff in agriculture sector. They have mentioned, that tariff should be reduced over the subsidy, should be reduced over the year. And there should be cotton subsidy, should be, should be in a phased manner so as to, so as to get the benefit of the agriculture export for developing country side.

Integration of half of the import into GATT system during the transaction period; liberalisation of remaining quota during the transaction process, so they have mentioned that there should be reduction in the agriculture subsidy. Agriculture subsidy for the subsistence agriculture should be there, agriculture subsidy for export reason should not be there. This negotiation process is still continuing in the WTO agreement. And WTO is a most difficult area of, difficult area is agriculture activity, agriculture subsidy.

Developed country are not agreed to this because they know, that they, they know, that their agriculture is export oriented. However, developing country agriculture is, is subsistence oriented. There should be subsistence level of subsidy, for subsidy should be there for substantial agriculture, not for the export oriented agriculture. The dispute is still continuing in WTO agreement side.

However, in case of textile, clothing, significant agreement has been done. The all country got the most favoured nation status; they have also got the national treatment in, in textile and clothing. There has been significant development, this has been significantly helped the developing country. The developing country significantly exporting their textile and cloth, clothes to the abroad, particularly US and European country are getting significant revenue out of that and India, one of the country, developing country, has got the benefit out of this WTO agreement on textile and clothing sector.

(Refer Slide Time: 17:54)

General Agreement on Trade in Services - GATS

- Framework of GATT-related rules
 - National treatment, MFN, transparency, progressive liberalization, dispute settlement
- National schedules
 - liberalization commitments
 - exceptions from GATS principles
- Annexes with rules for specific sector: successfully completed negotiations on telecom and finance



If you see the general agreements on tariff and services, this is the most difficult agreement world trade has, has achieved so far. The agreement related to national treatment, MFN transparency, progressive, progressive liberalisation, dispute settlement. This has been done; this has been done as per the negotiation in WTO. National schedule, national schedule include liberalisation commitment, exceptions in case of GATS principle, there has been some kind of exceptions are there.

Successful negotiation has been done in case of telecom sector, financial sector, banking sector, these are the GATT services sector some kind of negotiation has been done, some kind of achievement has been achieved by the world trade organisation. So, world trade organisation has included the services sector as a part of the WTO, WTO, WTO negotiation process. The service, services sector include services for the telecom sector, financial sector, services for the investment reason, services for the outsourcing process and, and these are the thing they have included in the negotiation process.

And WTO has achieved significantly in the negotiation process for the telecom sector and financial sector and finance sector. One part is the banking sector where WTO agreement has been achieved and now the all countries are all member country of WTO, they are opening up their financial sector and banking sector for the, for the world investment purpose and this has significant agreement they have achieved. However, there are many such agreement, which are difficult in nature, has not been achieved over the year.

(Refer Slide Time: 19:34)

TRIPS and TRIMS

- Protection of trade-related intellectual property (TRIPS) - copyrights, trade marks, patents
- Including trade-related investment measures (TRIMS) under GATT rules
 - prohibitions for investment rules that distort trade patterns, eg. local content and export requirements
- Clearer principles for use of safeguards



These include the trips and trims, the trips guide, trade related intellectual properties side. This, the copyright, trade mark, patent, these has been significant negotiation achieved by the WTO over the year. And now, the trade intellectual property, copyright, trademark innovation purpose, innovation, R and D expenditure with the many country are doing, they got the right on these.

This include the pharmaceutical sector, many other sector where the negotiation process has provide some kind of benefit to the innovator for the, for the expenditure, for the country, for the company who has invented the, invented the process and the, from the product, from the process, patent to product patent, we have migrated from the WTO side. WTO has provide significant rights on the, on, for the copyright, for the trademark, for the patent and world trade, though these are difficult agreement and developing country has suffered because of these, and they have achieve it, achieved it and over the year this process has helped in the R and D expenditure in world trade system.

Then, another agreement on trade related investment measure, trims. What is called trims? Trade related investment measure, the prohibiting for the investment rule distort trade pattern, example local content and export requirement. These are the some prohibition we have achieved in investment measure. The investment measure guard the, provide the, protectionism, protection to the investor and investor in the form, that they should get the benefit of the investment.

Similarly, we have achieved the principle of use of safeguard. Here, the patent, patent, though provide right to the patent holder, at the same time is also provide some kind of right to the member country. So, the member country, see the patent is against their, against their country, they can, against their country, particularly they can evoke, evoke the patent. They can use the pharmaceutical product, pharmaceutical product, suppose some kind of drugs for the mass consumption, they can, convert the patent to the mass consumption side. Some kind of safeguard measures developing country have got and pharmaceutical sector, though negotiation process still continuing, still continuing.

However, it has provided some kind of safeguard to the developing country for the use of drug pharmaceutical product, for the world trade, for the mass consumption, mass consumption right for the government sector. However, private sector of the domestic developing country, they cannot get the right of, cannot get the right of pharmaceutical right, pharmaceutical patent right. They have to purchase the right to pay the, pay the royalty for this purpose. However, government as a mass consumption side have the right to evoke this pharmaceutical, evoke this patent and they get the, they can circulate the medicine, circulate any kind of drug for the government sector, consumption for the, mass consumption of public.

And however, this, the trips and trim, though it is difficult on the part of developing country to accept this, they have accepted this as a principle of world trade and this has enabled them to develop their own pharmaceutical sector for their own R and D, R and D expenditure to get the right of, right of innovation, to get the right of patent, to get the right of copyright, trademark and these are the dispute side. This patent, this kind of negotiation has given many kind of dispute, particular trade mark side. So, for the generalisation of trade mark, for the naturalisation of trade mark and, and this has created many kind of dispute and it has come and discussed in WTO dispute settlement process.

We will discuss separately the dispute resolution side, dispute resolution side. How, it has mould, tilted towards the developed country, developed country and developed country has got the natural right on many kind of natural product, which has, which is not good, not good on the part of the world trade process.

(Refer Slide Time: 23:45)

What is special about developing countries?

- Weak competitiveness in industry
- Inefficient customs and trade administration
- Fiscal pressure: tariff revenue important for government budget
- Still a need to participate in international trade
 - technology, competition, economies of scale
 - revenue for necessary imports

Special and differential treatment such as

- ✓ preferential market access
- ✓ more scope for national policies, e.g. export subsidies for poorest countries
- ✓ technical and financial support
- ✓ more liberal use of safeguards
- more time to reduce trade barriers



If you see go to the other side what is the special about developing country? Developing country, that the weak competitiveness is there; developed country, industry are not competitive in nature, their industry are more self consumption or mass or the consumption for the home, home country. Their industry has not developed to get the competitiveness in the world export side.

At the same time, the inefficient customs and trade administration, trade administration and trade customs are not as per the guideline. Their trades are being protected for the

domestic consumption side, their trade is being used as a trade or tariff is being used as a measure of GATT revenue, not for that, not for to increase the efficiency in productivity of the trade. The fiscal measure in the form of tariff revenue important for the developing country, developing country, imposing quota, imposing tariff for for GATT revenue out of this not to increase the productivity of the export sector.

So, so this is a, this is one of the drawbacks of the designing of trade policy of developing country side. After the WTO agreement they have redesigned their trade policy, they have reduced their tariff over the year. Tariff has been reduced to significantly, so as to get benefit of the world trade. At the same time, they got the benefit of, what is called, as a participant in world trade in the form of getting technology, in the, in the form of getting economics of scale, in the form of getting necessary revenue for import, import the capital goods, so as to develop the economy. And at the same time, by liberalising their tariff, liberalising the quota regime, by redesigning their trade policy they got the investment from abroad side for the development of their own country.

The special or special in differential treatment for developed a, developed country is, that preferential market access developing country has got the access by accepting the WTO agreement. The developing country got the preferential market access in developed country. This has increased their export, export revenue. Similarly, they have got the national treatment in the form of, national treatment in developed country. So, they are also get the, get good amount of technology import, good amount of export earnings because of their national treatment.

The poorest country have the got the benefit of the tariff, the poorest country has got the right form the WTO, WTO agreement to impose some kind of subsidy, some kind of a tariff on as, as per the national requirement. They also got the benefit of technical support from the WTO financial support, from the WTO to redesign their trade policy, to redesign their export, export competitiveness, to also, to increase the productivity efficiency of the export sector.

WTO provide some kind of financial side, some kind of technical, technical support to developing country, so they also, developing country also got some kind of safeguard in the form of liberal licensing policy. They also they got the safeguard for the trade

imposing some kind of trade barrier, which is required for the national interest, particularly, particularly in the form of patent, in the form of copyright, in the form of trade mark. Developing country has a got the right to declare particular sector, particular commodity, particular patent as, as per mass consumption despite being it patented by the any other nation.


So, some kind of benefit developed country got redesigning their trade basket, redesigning their trade policy and redesigning, redesigning or including a slowly, slowly including them self to the world trade system, some extent, some benefit developing country have got.

(Refer Slide Time: 27:42)

Special and differential treatment in the WTO

Aims to give developing countries

- ✓ improved market access
- ✓ more scope for national policies, eg. export subsidies
- ✓ technical and financial support
- ✓ more liberal use of safeguards
- ✓ more time to reduce trade barriers
- ✓ Higher domestic protection accepted: average bound tariff over 20%
- ✓ Longer adjustment period to meet Uruguay round targets
- ✓ Immunity from countervailing measures if import share is less than 4%
- ✓ Right to use export subsidies for LDCs



However, the special treatment they got in the form of improving the market access, that is, that is, is a remarkable achievement on the part of developing country. They got the national treatment in, national treatment in developed country to improve their basket of export. They also got, what is called, liberal use of licensing policy. They also got the reduction of, reduction, reduction of what is called the tariff world. Tariff has improved their export and reduced their import also, that is, monetary import has reduced. They also got the benefit of the, what is called, immunity. Immunity from the, immunity in the form of patent, a patent has been redesigned for them as a safeguard measure has been included for the mass consumption side.

So, developing country export side, import side, technical support side, financial support side, some extent they got the benefit out of the WTO agreement.

(Refer Slide Time: 28:46)

Challenges for the WTO

- Most important: how to secure a successful conclusion of the Round
- How to strengthen the policing of the bilateral free trade agreements (FTA) which can erode the non-discrimination principle in the long run
- The development role of WTO
- The functioning of the dispute instrument
- Accession of new members, most importantly, Russia
- The coherence agenda (WTO's role vis-à-vis other global institutions)
- The agenda for future negotiations – the broadening of the trade agenda



If you see many challenges are there in WTO, WTO, though there is a dispute resolution in, in the WTO, the dispute resolution is not at par, at par with the world trade patent, world trade agreement. So, the most important, important of this challenges are, these challenges, to expand the WTO further. Challenge is to include the many country, include within the WTO agreement. Challenges in the form of, what is called, reducing the discrimination in the WTO agreement, challenges in the form of bilateral trade agreement. Many countries are there, they have among them, they have bilateral agreement. This affects the principles of WTO. Many country have form, what is called, a club, what is called a trade partner, what is called the, what is called a trade block. These are against the WTO agreement, (()) block, the (()), these are the WTO, the block of world trade; these are against the principle of WTO.

However, WTO is not in a position to convert the world economy into a global market place through the process of WTO negotiation process. These are the challenges the WTO has to accept by reducing the world trade, reducing the tariff, reducing the tariff, reducing the quota, increasing the trade pattern, trade system, so converting the world economy into global market place. These are some kind of greater challenges on the part of the WTO future negotiation process.

(Refer Slide Time: 30:26)

Challenges for the WTO

- Issue related to outsourcing
- Labour issue
- Environment issue
- Agriculture subsidies
- the poorest in developing countries are unable to access affordable medicine because protect the [intellectual property rights](#) of pharmaceutical companies.
- Rich countries are able to maintain high import duties and quotas in certain products, blocking imports from developing countries (e.g. clothing); The increase in non-tariff barriers such as [anti-dumping](#) measures allowed against developing countries.



However, many other challenges are there, challenges, issues relating to outsourcing. Outsourcing is a part of the WTO, part of the revenue process for the developing country. Outsourcing has become an issue in the WTO agreement side, WTO negotiation process. Many developed country have imposed tariff, imposed non-tariff barrier in the form of, in the form of quota system, in the form of not giving, not giving, what is called, visa for the outsourcing side. So, outsourcing has become an issue in WTO agreement side.

Labour issue, developing countries are surplus in labour, their labours are cheap. So, but how a developed country, surplus in capital, the capitals are cheap, there should be integration of these two factors of production. However, WTO itself provide some kind of dispute in a, in, in aligning the two, two part of the world - one part is the labour cheap, another part is capital cheap - into the process of negotiation. So, labour issues are there in case of, for developing country, outsourcing issues are there for WTO side also.

Non-tariff, the WTO is established to reduce the tariff, tariff, and converting the world trade into a global market place. However, over the year after the WTO, it is not the tariff; it is a non-tariff barrier, which is increased significantly. Non-tariff barrier in the form of climate, in the form of environment, in the form of cheap labour sources, in the form of child labour, in the form of subsidy, has increased over the year, which has

created non-tariff barrier, has create another way of, what is called, another system of protectionism in world trade.

The WTO has not resolved this non-tariff barrier. There are many such kind of issues, like their patent right, patent right, some patent rights are being, are being filed by the many developed country on natural resources, on natural resources, in the form of, in the form of, what is called, generic system. This should not be there, as part of WTO agreement, natural resources of world systems are as same for all country is there. On this developed country should not get any kind of patent.

So, similarly, agricultural subsidy, agricultural subsidy for developing country and developed country, two different region, agriculture in a developing country is subsistence in nature, the subsidy is also subsistence in nature. Many developing country are not exporting significantly agriculture product. However, developed countries exporting significant amount of agriculture product, the products are, their agriculture practices are for, for export, for market. In case of developing country agriculture practices for self sustenance, self consumption, so subsidy, you have to differentiate this to subsidy, where WTO has not resolved these subsidies to in agriculture. Agriculture subsidy should be reduced by, reduced by developed country, not by, not for the developing country. Developing country exports of agriculture subsidy is only for consumption purpose, not for the market orientation purpose. But in case of developed country, the agriculture subsidy is huge and it is not comparable with the developing country. However, this subsidy has not reduced over the year.

The poorest country is also not getting the benefit of the affordable medicine because of the intellectual property right of the pharmaceutical company. Rights of pharmaceutical company have been endorsed by the WTO, but right of the developing country, poor country people has not been endorsed by the WTO agreement. The medicine or the invention for the consumption, for the mass consumption, for the, is supposed to be the right of every individual anywhere in the world and WTO should endorse right. However, WTO is for developing, developed country companies, which are developing these innovations. They want to get the benefit of the, get the benefit of the R and D expenditure. However, WTO should also give some same kind of treatment to poorest people, which are there in many countries of the world. An affordable medicine,

affordable medicine or living is, is a right of the people, which are, whoever it may be, whichever country he is, he or she will be.

So, it is a, it is a part of the WTO, should be a part of the WTO agreement, that mass consumption should not be a, should not be put for the, as a part of the intellectual property or intellectual right. So, mass consumption in any particular goods, which is self, which is required for the (()), for any individual, should not be a, should not, should not be provide in the form of patent right to a particular company.

Similarly, these country are able to maintain high import duty on and quota in, in certain product. So, despite the WTO agreements are there to reduce that import, import, import duty, import quota. Many countries, the rich country are creating some kind of quota system, some kind of tariff barrier for this kind of goods and services blocking the import from the developing country. Similarly, this country are non-tariff barriers, has become such an antidumping measure. It has become a significant issue in WTO side. WTO is, WTO has not been in a position to resolve this right of, right of, what is called, antidumping resolve. The resolve, the negotiation for the subsidy resolved the negotiation for the non tariff barrier, which has become an issue in world trade at present.

So there are many issues in WTO side, the issues of developing country has not been addressed properly.

(Refer Slide Time: 36:28)

Challenges for the WTO

- Most important: how to secure a successful conclusion of the Round
- How to strengthen the policing of the bilateral free trade agreements (FTA) which can erode the non-discrimination principle in the long run
- The development role of WTO
- The functioning of the dispute instrument
- Accession of new members, most importantly, Russia
- The coherence agenda (WTO's role vis-à-vis other global institutions)
- The agenda for future negotiations – the broadening of the trade agenda



You have to go through, you have to understand the WTO agreement in a, in a new perspective. The WTO has been established in 95 as a part of reduction in the world tariff and, trade and tariffs. However, the non-tariff barrier has increased significantly over the year. The non-tariff barrier in the form of climate change, in the form of child labour in, say, in the form of chemical, in the form of environmental issue, in the form of human rights, human trades, has become issues in WTO agreement section.

So, WTO has not been in a position, has not been in a position to reduce these non-tariff barrier and helping the developing country. Developed country, through their muscles, through their significant trade, trade, trade relations in other country, significant world exports have, have, have superimposed their rights in WTO dispute, WTO dispute settlement process and this has become, and this has become a new form of world trade protectionism established by the WTO, established by the developed country in developing in WTO settlement process.

A settlement process of WTO, what is a dispute settlement, is not at par with the, at par with the developing country requirements. If you see the WTO settlement process, though member countries are there, all developing country, developed country members are there, but developing, developed country through their large scale export, large scale trade relations, they are creating different kind of, different kind of situation where developing country despite their right they are not getting the benefits.

The future negotiation of, negotiation of WTO should be in the light of, what is called, a new, new alignment of world forces, the world forces has changed different, different last 10 years. The 10 years of WTO if you see, that WTO came into established in 1995, 96 and over the period they got the, slowly they have migrated to the WTO requirement. The last 10 years the WTO, the negotiation process has changed, WTO settlement process has changed, WTO, WTO references has been changed and WTO side, the policy measure has changed, the WTO side, the world system procedures has changed.

The system procedures, now not on tariff, non-tariff sectors are more important nowadays. The WTO has not, not resolved this non tariff barrier, which has been created by the developed country. Developed country, they wanted the world resources; they wanted natural resources of developing country. However, without any kind of, without any kind of subsidiary developing country, so in the form of integrating the world

financial system the WTO agreement should also include the banking sector rights of developing country. There should be reduction of, what is called, a trade, non-trade, non-tariff barrier for the consumption of natural resources, for the consumption of patent, patent, for the human, human mass consumption.

Similarly, in the WTO settlement process, the WTO country should also include the developing country requirements. In WTO settlement process there should not be any kind of protectionism in WTO side, particularly for non-tariff barriers, non-tariff barrier issues. So, the challenges of developing, developing country, the challenges of WTO is now has changed as compared to the, what it was there in early 90's.

Here the challenges are non-tariff, challenges are non-tariff in nature, here challenges are not on providing patent to the company. Here challenges are how to, how to reduce the world, how to reduce the, reduce the, what is called, the procedures design, the procedure for the mark, mass consumption of pharmaceutical, say, pharmaceutical product. Here the issue is not on the, what is called, protection to developed country, here issue is to how to liberalise their trade for the developing country side. Here the issue is not on reduction of subsidy for agriculture sector, here issue is how to make open the agriculture sectors further, so that developing country, which are on the subsistence level of consumption, they should get cheap agriculture product. Here the issue is not disputing the, creating a settlement or dispute process for helping the developed country, here the issue is how to address the issues of requirement of developing country.

So, WTO has to change from the earlier WTO 90s to the WTO twenty-first century, where the issues are different and negotiation should be different and the process of designing rules, regulation for the world trade should be different.

Here the issue to reduce, that not the reduction of tariff, here issue is how to reduce the non-tariff barriers; how to increase the investment flow to developing country; how to provide more, more, more market access to developed, developing country; how to provide cheap consumable good to developing country; how to reduce the poorest of the poor from the world, world economy; how to provide the, what is called, natural right, natural right on different commodity, which are, which are, which are having health issue for developing country side.

So, the issues has changed, from the WTO, for the WTO side and WTO to redesign its policy for, for resolving the world, world trade and providing more smooth process to the world trade, world trade system and procedures. So, when you discuss about the world trade you have to understand, that the world trade has changed a lot over the year and both, developing country and developed country should be part of the WTO agreement and the world trade should further smooth by negotiation and redesigning the world trade policy.

(Refer Slide Time: 42:51)

Reference

- World Trade Organisation Website
- Planning Commission of India's Website



When you, you want to discuss further, want to understand further, the references I have given here, two references, one is for the world trade organisation website. You have to go to the world trade, WTO website and see over the year what are the negotiation process? Negotiation here, three negotiation, very important, what is called, Uruguay round of negotiation, then second negotiation is the Tokyo round of negotiation and also, the negotiation over the year, which has been taken place in the world trade formation process.

And second reference is a planning commission website, you have to go to the planning commission, how the planning commission prepared the document for the world trade negotiation process. And here you have to understand, you will be, you will be in a position to understand the Indian, India's requirement for the WTO, how India economy

should change over the year as per the WTO agreement and why, how India has put forward developing country perspective in WTO settlement process.

(Refer Slide Time: 43:59)

Model Questions

- What were the problems of GATT?
- Describe features of WTO.
- How developing countries have benefited from WTO.
- Describe various challenges of WTO



And here I have designed a model question for you. So, here you have to discuss, what are the problems of GATT? Second question is, describe the features of WTO. Third question is, how a developing country have benefited from WTO side? Then fourth question is on describing, describe the various challenges of WTO.

First question, what are the problems of GATT? So, as I discussed in the earlier session, GATT is general agreement on trade and, trade and tariff. It was established 1948, is a prime reason of GATT, was primary principle of GATT was to establish a smooth world trade process. Here, trades and goods, goods were there, agriculture, services, these are not part of the trade. And the primary function of GATT is to reduce the tariff barriers. The tariff barrier during the establishment of GATT, that time it was around 300 percent and over the period of negotiation the GATT has reduced the tariff barrier to something around 30 percent.

And the, the problem of GATT was the, the world trade since 1948 has changed a lot. It is not the goods and goods only trade, trade was taking place, now it was services also a part of trade factor of production, particularly capital labex has become highly migratory in nature and the GATT was not in a position to discuss about the, what is called, trade in agriculture, trade in natural resources, trade in investment, trade in services. These are

not the part of the GATT agreement, so and also, at the same time the tariff has reduced, non-tariff barriers you have to increase significantly. So, they wanted, that WTO should, the GATT could not discuss about the non-tariff barriers.

So, though to, to address the issue of agriculture, address the issue of services sector, export-import, address the issue of investment, address the issue of property right, patent right, copy right trade right, the WTO, WTO these are the problematic aspect of WTO and WTO could not discuss all these thing. So, there is a new requirement for, new requirement for negotiation process and this new requirement leads to abolition of GATT and establishment of WTO.

So, second, second question was, describe the features of WTO. WTO, as I had mentioned earlier, WTO came from the GATT. The GATT was the earlier part of, earlier establishment of tariff negotiation. WTO establish for the, as an umbrella side of GATT. WTO primarily, primarily, primary feature of WTO is the enlargement of the world trade process in the WTO goods and goods services, patent, trademarks, copy right. These are the, these are the, trade issues were part of WTO agreement side.

WTO provide all member country equal partner. WTO provide a dispute resolution for a world trade. WTO provide a negotiation platform for the developing and developed country to discuss the requirement for the world trade. WTO provide a principal for the world trade, the principal of most favoured nations, the principal of national and national entity, the principle of not discriminating it in a, discriminating among developing country, developed country, between foreign company and domestic company. WTO also provide some kind of benefit to developing country in the form of technical help, in the form of financial help. WTO also provides technical help to developing country for redesigning the basket of export-import. WTO provides principle of negotiation for dispute resolution. These are the features of WTO. We discuss more on WTO features.

Third is, question is, how developing countries have benefited from WTO? Developing country, as I mentioned, that part of the WTO agreement, almost all developing country are the part of WTO agreement. Developing country got the, got the benefit in the form of, what is called, the most favoured nation status. So, the most favoured nation status allows them to, allow them in the developed, developed country market, market access for them increased. Most favoured nation status provides them, what is called, a benefit

to get a technical import, technology imports, increase the export basket, reduction of tariff, in tariff. So, they are primary export in the form of textile, cloth, natural resources, natural resources, in the form of mining ore, mining ore they have increased that.

They also got the benefit of world financial system, they are as a financial part, financial part agreement in the WTO developing country, get the access of world market. They also get the access in the developed country large market to increase the export basket. As a part of the member country of WTO, developing country also got the benefit of technical support to redesign the export-import basket. They also got the financial support for redesigning their export sector, they also got the financial support to increase the competitiveness about their domestic industry, domestic company and also, they have got the, the benefit of cheap export, cheap import of technology. They also got the benefit of copy rights and trade mark right for the, for mass consumption side. These are the part of the developing country got the benefit from the WTO side.

Describe the various challenges of WTO. Here, you have to discuss, we have discussed many challenges of WTO. WTO sign the challenges, the primary challenges, how to resolve dispute resolution side, non-tariff barrier reduction side; how to, how to negotiate for the agricultural subsidy side; how to negotiate for the outsourcing issue; how to negotiate for the labour issue, climate change, environmental side; how to negotiate for the redesigning the world trade organisation for dispute resolution; how to negotiate for the investment side, investment measure side; how to negotiate further, negotiation of the world trade from the tariff reduction to the non-tariff reduction side; how to tackle the issue of, what is called, bilateral trade, a trade block. These are against the WTO agreement and also how to redesigning the principles of negotiation of WTO, where developing country or the developed country, which have large export, large trade, trade power. They should not influence the WTO agreement.

So, also, WTO agreement, WTO side, the challenges are in the form of, in the form of, what is called, the issue of cheap labour forces, human rights side factor, of factor migration side, factor of production migration side. These are the some challenges on developing country and in the form of WTO agreement. WTO agreement has become, last five, six, seven years has a dead lock, there is no further negotiation is taking place, the dispute has not been resolved so far.

The dispute has been prolonged, prolonged over the year. The developing country has the lost, the WTO agreement side because their trade, trade and trade size has not improved significantly. After the WTO agreement the developed country has promised to enlarge the market, give the market access to developing country. They have not done, not done so far because they have reduced the tariff, but increased the non tariff barrier for developing country, which has blocked the developing country in the, for export import side.

So, these are the issue the developing, developed country and developing country together should negotiate and accept the challenges of WTO agreement side. WTO has to change from the tariff barrier, tariff barrier of negotiation to non-tariff barrier of negotiation. A platform, platform for further negotiation, for the reduction of non-tariff barrier and further reforming the world trade, for the benefit of the human being, not for developed or developing country, human being from across the world.

Thank you.