IMPACT OF WTO IN GLOBALIZATION

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ABSTRACT

Two factors seem to underlie the trend toward globalization declining trade barriers and change in communication, information and transportation technologies. Since the end of the World War II, there has been significant lowering of barriers to the free flow of goods, services and capital more than anything else. This has facilitated the trend toward the globalization and enabled firms to view the world as a single market. The World Trade Organization (WTO) is a favourite target of those who attack the headlong rush toward a global economy. The WTO was founded in1994 to polish the world trading system established by the General Agreement on Tariff and Trade. The WTO arbitrates trade disputes between the 146 states that are signatories to the GATT. Panel can a ruling a member to change trade that violate GATT regulations. This paper examines the role of WTO in promoting globalization.

Keywords: *WTO, Globalization*

1. INTRODUCTION

The General Agreement on Tariff and Trade was established in 1947. It was engaged in efforts at promoting world trade through reduction of tariff and non-tariff barriers to trade. It provides a forum for the countries to overcome their trade problems and negotiable to enlarge international trading opportunities. Between the years 1947-1994, eight rounds of negotiations took place under GATT. The seven rounds were based on tariff reduction and measures like anti-dumping agreements. The last round called, the Uruguay Round lasted over seven year's from1986 to1994, and it deals with the discussion on subjects like services, tariff, non-tariff measures, and intellectual property rights.

2. ROLE OF WTO IN PROMOTING INTERNATIONAL TRADE

Uruguay Round
It was launched in September 1986 and concluded in April 1994.the following are the areas of agreement reached at the negotiations.

Tariffs
Developed countries, agreed to cut their average tariffs on industrial goods by 40%, developing countries agreed to raise from 193% to 61% share of their imports which would be covered by 'bound' tariffs. Once, the tariff get bounded it cannot be legally raised. Reduction in tariff will increase the export in India. However, there will not be large impact on import tariff because the imports are already low at industrialized countries. Provisions against anti-dumping measures are helpful to India because its per capita income is less than USD 1000 per annum. India can continue to provide export subsidies, except in case of diamonds and jewellery where the exports constitute more than 3.2% of the world trade .The Ministry of commerce estimates that exports from the country would increase by USD 1.5 to 2 billion as a result of the agreement

Agriculture
In agriculture, most non-tariff barriers were to be replaced with tariff barriers and the share of imports covered by bound tariffs increased .the input of the subsidies across the board, but would have be better targeted. It is feared that the agreement will not be favourable to India for the following reasons.

i. Government will be forced to withdrawal or reduce subsidies to farmers.
ii. We will be compelled to import at least 3% of the domestic demand for agricultural products.
iii. Policies like public distribution system have to be abandoned.
iv. Patenting of seeds will force our farmers to buy them from multinational enterprises.

Textiles

Textile was governed by separate multifibre arrangement. The Uruguay Round and clothing would be gradually integrated with WTO. India would be the major exporter of textiles .our exports have to face competition from other developing countries. So, the gain would accrue only if the quality and productivity of the product is good.

Services

Trade in services are governed by GATS. The services under this agreement have some basic principles, the first principle is national treatment which means in certain sectors, the government must treat Foreign Service no less favourably than they do domestic providers of the same service. Second principle is "most favoured nation" treatment which means the government must not accord less favourable treatment to the Foreign Service providers. If this sector is opened to multinational, the result can be adverse for the local service industry like banking and insurance.

3. INTELLECTUAL PROPERTY

The agreement on (TRIPS) provides norms and standards for copyrights, trademarks, related rights, patents etc. The controversy regarding the Uruguay Round has been about TRIPS.

i. The agreement takes away the country's right to frame its own intellectual property.
ii. The introduction of product patents will confer a monopoly and increases drug prices.
iii. There will be national interests of technological development in the field of bio-technology.
iv. Inclusion of patent production to plant and varieties will lead to a dominance of agriculture and at the same time the small seed varieties will also lead to dominance by multinational corporations and the farmers will not be permitted to multiply seeds and sell them to others.

The points put forward in support of TRIPS are;

i. The drug prices will not increase in India, because the presently available drugs will not come under this agreement.
ii. The drugs and pharmaceutical companies in India can raise their exports.

4. ECONOMIC EFFECTS OF GLOBALISATION

Realizing that Globalization, by itself, may not help the ailing Indian economy, the then Government of India decided to go for privatization of its economy and to adopt liberalized economic policies. Some steps towards these structural changes were.

i. Virtual abolition of industrial licensing Raj
ii. Free access to foreign technology
iii. Abolition of Government control over capital issues and creation of SEBI to encourage equity culture in India.
iv. Sharp reduction in industries reserved for public sector.
v. Decision to go for partial disinvestment in public sector enterprises.
vi. Policies of Privatization and liberalization of economy, along with the process of globalization had a dramatic effect on Indian economy which responded swiftly and positively to these measures. Fiscal deficit immediately came down to 5.9% in 1991-92 itself. The real GDP increased at an annual rate of about 6%. Many new companies were formed by Indian entrepreneurs across different industrial segments in view of liberalized economic policies announced by Government. A large number of job opportunities, with good wages, became available in India.
vii. Direct effect of Globalization is intensified interdependence of Indian economy and world economy. As a result, it has become very difficult for Government of India to insulate its economy from world economy.
viii. Direction and depth of all economic activities in India is now governed largely by global economy.
ix. Globalization has completely eroded the spirit of 'Swadeshi movement'
x. Globalization has adversely affected many established companies (like organisations manufacturing Ambassador Cars or Fiat cars) which had failed to face competition from established global players.
xi. Steep and fast reductions in custom duties have snatched large part of Indian market from Indian industry and passed it on to imports from established global players.

xii. Indian industry has transformed itself from labour intensive processes to capital intensive processes by adopting global technologies and automatic machinery. This has resulted in high rate of unemployment in India. Unemployment is the biggest challenge for Indian Government today.

5. CONCLUSION

The last quarter century has seen rapid changes in the global economy Barriers to the free flow of goods, services and capital have been coming down. The volume of cross-border trade and investment has been growing more rapidly than global output, indicating that national economies are becoming more closely integrated into a single, independent, global economy system. As their economies advance, more nations are joining the ranks of the developed world. The move toward a global economy has been further strengthened by the widespread adoption of liberal economic policies by countries that had firmly opposed them for two generations or more. In short, current trends indicate that the world moving rapidly toward an economic system that is more favourable for the practice of international business. The opportunities for doing business in a global economy may be significantly enhanced, but as one saw in 1997-1998, the risks associated with global financial contagion are also greater. Still, as explained later in this book, firms can exploit the opportunities associated with globalization, while at the same time reducing the risks through appropriate hedging strategies. One can thus observe that globalization does not seem to have helped Indian industry. We may call globalization, at best, a double edged weapon. It has helped Indian consumers to enjoy all high quality global brands. It did help Government of India to tide over its serious foreign exchange problem, though temporarily, by enabling it to get loan from World Bank. But, it has been at the cost of serious erosion of control of Indian Government over its economy and at the cost of local industry.

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