

# Influence of World Trade Organisation On Indian Economy

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## Abstract

The World Trade Organization (WTO) is a rule based multilateral trading organization which facilitates trade between nations. Its main function is to act as a forum for international cooperation on trade related policies and creation of codes of conduct for member governments. At its center are the WTO agreements, negotiated and signed by the bulk of the world's trading nations and ratified in their parliaments. The WTO provides a forum for negotiating agreements aimed at reducing obstacles to international trade and ensuring a level playing field for all, thus supposedly contributing to economic growth and development. For a structure which provides for countries to conduct negotiations and formalize trade agreements; it does not specify or define outcomes. It seeks to globalize many countries and help them sharpen their competitive edge and seek benefit from advanced technologies from other nations. It has not only affected India's international trade but also its internal economy. The purpose of the present paper is to examine the Impact of World Trade Organization on Foreign Trade in India. On January 1, 1995 when World Trade Organization (WTO) came into existence the entire economy of the world affects in respect of international trade because WTO framed the new global trade rules for international trade. This study is concerned with implications of the WTO with reference to India. How much trade has been increased by India after the implementation of the WTO. It concluded that trade of the India has not been increased up to the expectations that results in to low gaining of benefits from world trade.

**Keywords:** *World Trade Organization; Free Trade Agreement; Micro, Small and Medium Enterprises; Liberalization.*

## 1. INTRODUCTION

World Trade Organization (WTO) which was established in 1995 has become an organization to establish strong trade relations among the member countries. "The WTO is rightly as referred as the legal and institutional foundation of multi-lateral trading system..... It is the organization that succeeds the General Agreement of tariffs and Trade (GATT)" The WTO since its inception laid great impact on trade relationship among the member countries. India too became part of this organization in 1995 by virtue of being member of GATT. Different scholars have different opinion on impact of World Trade Organization on Foreign Trade in India. A brief analysis on it has been done here under: According to Dasgupta (2004), result of trade liberalization in 1991 and the establishment of World Trade Organization in January 1995 many questions have been raised on the present and future development possibilities of the developing countries. The world trade is in fact not based on free and competitive conditions in the world market rather world market is trade-distorting and Sidhu and Kaur (2004), revealed that India's external sector has exhibited a sharp transformation since 1991 when India witnessed a severe balance of payments crisis. It is a fact that there has been a substantial and significant change in the commodity composition and the direction of India's merchandise exports as well imports in the post-liberalization and post-WTO periods but side by side there has been a widening deficit in the balance of trade. In addition to this Chawla (2003) says that India being a founder member of GATT (1947) and the WTO (1995) has been trying to extend trade and economic relations at the global level. To improve its trade relations India did actively participate in various rounds of trade negotiations. Not only this, it had utilized the financial resources of international financial institutions for over six decades. India has been facing several trade restrictions from most of the industrially advanced countries. The restrictions India does face include quantitative restrictions imposed by developed countries unrealistic standards, testing, leveling and certification, export subsidies, barriers on services, government procurement regimes and other barriers. In the opinion of Anil Bhumali and Satrajit Dutta (2006), the WTO is wholly controlled by a few industrially advanced nations (e.g., America), WTO provisions are thus always manipulated by the developed world. The wealthy countries of developed world in fact dominate the whole world economic system. Many of the developing countries are locked in a vicious cycle of debt, rising population, poverty and unemployment. The developed countries of the

world which possess only the ¼th of the world population have 80 percent of the world's manufacturing income. According to Romesh Chand (2002), In the WTO period global agricultural exports have declined in value terms, whereas, quantity of export has grown. Thus, global trade in post WTO period has turned out to be favourable to consumers of agricultural products and adverse to agricultural producers. Similarly, WTO has been favourable to net importing countries and unfavourable to net exporters of agricultural products. The decline in value of agricultural exports has been higher in the case of group of developed countries compared to the developing countries. Devroy, Bibek and Kaushik P.D (1999), In this study 'Indian Industries Guide to WTO' discussed the impact of WTO's regulations on Indian Agriculture. The authors consider Agro-food sector as industry. The study deals with the subjects like 'Myths and Realities', 'Aggregate measurement of support' and 'Green box policies, 'Water measures and their implications relating to Indian Agriculture'. The authors have estimated that agriculture exports by the year 2005 will be around US\$ 300 billion worldwide.. WTO regulations will cover about 90% of these exports will have to face greater competition in International Market. According to him the policy –Makers have to take adequate policy measures so as to protect and face Indian agriculture from challenges brought before it by WTO.

India's trade at 58 per cent in 2013-14 was more or less the same as in earlier years. The top three trading partners of India are China, the USA, and the UAE, with the top slot shifting between the three. Export-import ratios reflecting bilateral trade balance show that India had bilateral trade surplus with four countries, namely the USA, UAE, Singapore, and Hong Kong, in 2013-14 with high increase in the export-import ratio with the USA. India's bilateral trade deficit with Switzerland declined sharply from US\$ 31.1 billion in 2012-13 to US\$ 17.6 billion in 2013-14 owing to a fall in gold imports. India has high and rising bilateral trade deficit with China, which however fell by 6.6 per cent in 2013-14. Given the growing importance of these two Asian giants, India needs to formulate a comprehensive trade strategy for China keeping in view India's export potential in China. It shows that Indian trade in absolute terms has risen. The position of exports in GDP ratio has improved. But at the same time imports as compared to exports has increased rapidly. This indicates that trade deficit also rose sharply. Though comparatively India's exports position has improved yet India's balance of trade position has remained deficit and this certainly is not a appreciable when an attempt is made to make India economically viable and strong. This is certainly a matter of grave concern for the country as earlier also and right from 1947-48 to 2013-14, except for the two years 1972-73 and 1976-77 India's balance of payment (BOP) position remained deficit and was considered a very unhealthy symptom but after becoming member of WTO the same deficit has not decrease but has enormously increased. It is significant to point out here after becoming a part of WTO, India' trade links with other countries has improved particularly with less developed countries which means that in absolute terms India's trade had improved as well its trade link have widened. Perhaps this has compensated the deficit, which apparently does not seem a point of controversy at the first look. India's should not confine to have trade links with less develop countries only but also improve trade with develop and developing economies.

## 2. INDIAN PERSPECTIVE OF WTO PROVISION

India perceives that the trade below international organisation regime would profit it in many ways that. the subsequent ar noteworthy.

- 1) It is predicted that India's share within the world exports improves from zero.5 per cent to one per cent. The phasing out of MFA by 2005 can profit to Asian country because the exports of textiles and consumer goods can increase. Tariff reductions and reduced nontariff barriers shall facilitate larger access of foreign markets.
- 2) Benefits from increase within the world costs of agricultural merchandise thanks to reduction in subsidies and barriers to trade also are probably to occur to Asian country and consequently the earnings of agricultural exports can increase. From the India's purpose of read the foremost state of Central Government programmes for development of agriculture are exempted from the international organisation disciplines within the agricultural agreement.
- 3) The international organisation agreement has strong four-sided rules and disciplines significantly regarding anti-dumping, subsidies, countervailing measures, safeguards and disputes settlement. this can guarantee larger security and sure thing of international commercialism system that produce additional favourable surroundings for Asian country within the new world economic order.

### 3. WTO AND INDIA

The eight spherical of UN agency negotiations started in 1986 at South American nation, below the position of Arthur Dunkel. one in every of the vital options of the South American nation spherical was remodeling UN agency into a permanent watchdog named as global organization (World Trade Organization) in 1995 with a standing adequate to International Monetary Fund and International Bank for Reconstruction and Development. The preamble of global organization states that, "there may be a would like for positive efforts to make sure that developing countries and particularly the smallest amount developed among them, secure a in within the growth of international trade proportionate with the wants of their economic development". It conjointly flatly states that, "the developing countries are going to be benefited from the augmented exports and higher treatment with reference to measures taken by the opposite global organization member". The new World Trade Organization (WTO) that replaces the final Agreement on Tariffs and Trade (GATT) has get impact from Gregorian calendar month first 1995 with regarding eighty-five instauration members as well as India. the key agreements below global organization regimes area unit journeys (Trade connected belongings Rights), TRIMS (Trade connected Investment Measures), GATS (General Agreement and trade and services), Dispute Settlement and watching of Trade Policies. members as well as India. the key agreements below global organization regimes area unit journeys (Trade connected belongings Rights), TRIMS (Trade connected Investment Measures), GATS (General Agreement and trade and services), Dispute Settlement and watching of Trade Policies. resulting upon global organization Arrangement, it absolutely was expected that India's export and its value performance would improve. it's against this backcloth, the export and value performance of the Indian economy for the amount 1985-86 to 2004-05 has been investigated keeping visible the economic reform of 1991 and commencement of global organization in 1995.

### 4. THE WORLD TRADE ORGANISATION:

The international organisation was came upon in 1995 because the successor to the final Agreement on Tariffs and Trade (GATT). The GATT that initially was expected as associate degree impermanent structure had stuffed in because the institutional reason for the world's tripartite exchange framework for a protracted time. Be that because it might, by the Nineteen Eighties the framework needed associate degree intensive update. Throughout the years the tripartite exchanging framework had clad to be more and more liberal through progressive rounds of exchange transactions. World exchange had clad to be considerably a lot of mind boggling: worldwide financial combine was current associate degree exchange administrations that happened to enthusiasm to an increasing range of countries wasn't secured by General Agreement on Tariffs and Trade.As of that minute the international organisation was designed up because the new institutional institution of the tripartite exchange framework. As expressed within the presentation, the introduction to the assent-ion demonstrates that unhampered commerce is not a definitive objective of the association. Or maybe, the international organisation need to be viewed as associate degree association that encourages the decrease of exchange boundaries and seeks when uniformity in advertise access between members. The association has been pictured similar to associate degree implicit rules associate degree additionally an arrangement forum.The international organisation offers States a discussion to consult on world exchange decides that management their exchange arrangements. during this regard, the introduction to the understanding fitting the international organisation holds that its Member States ought to increase the international organisation targets by going into complementary and usually worthy game plans coordinated to the respectable diminishment of duties and completely different hindrances to exchange and to the top of oppressive treatment in universal exchange relations. Yet, within the event that it seems initially look that the international organisation is not significantly over a meeting gathering associate degree an implicit rules, at that time however will this determine with the human rights scrutinise that the association is usually subject to? whereas making an attempt to with the human rights scrutinise that the association is usually subject to? whereas making an attempt to answer this inquiry the related to space can centre round the inquiry to what degree the association bears rights and obligations below worldwide law in separation from its people. Generally, this can be the problem to the self-governance given thereto by its authors. on these lines, the inquiry to the human rights impact of the pictured self-sufficing activities of the association are going to be managed.

### 5. IMPACT OF WTO ON INDIAN ECONOMY:

What Asian nation gained from world organisation could also be below stood from the performance of its varied sectors and failures of Indian economy under world organisation regime. Indian Economy and also the contribution of each the secondary, tertiary sector to GDP rising as compared to the first sector. The quicker world linkage of

Indian economy is additionally witnessed in Nineteen Nineties as compared to Eighties and additional thus throughout the half of Nineteen Nineties. Structural changes has conjointly occurred in India's trade moving towards the increasing share of producing product throughout the post-world organisation era. The GDP rate of growth below world organisation is additionally not unsatisfactory. From this it seems that the Indian economy has been benefited a lot of from world organisation. truth image could also be discovered from the annual per centre modification, that shows hopeless developments within the post 1995 situation. The table6.10 reveals the structure and growth of Indian economy by major sectors from 1981-82 to 1999-2000.

## 6. CONCLUSION:

India's economic reforms of 1991 were presupposed to introduce a package of higher incentives for export promotion. equally the World Trade Organization Arrangements of 1995 was additionally geared toward to change the planet trade and rectify the prevailing trade barriers among the nations. the particular state of affairs is a few factor else, India's gross domestic product, its elements and export have attenuated in terms of every year growth once the economic reform of 1991, once more it's declined once 1995 once World Trade Organization arrangements were introduced. in sight of the facts that Indian exports and gross domestic product in terms every year growth has declined throughout the amount 1991-92 to 1994-95 and through the amount 1995-96 to 2004-05, there's AN imperative have to be compelled to rethink concerning Indian export ways so as to enhance the expansion of Indian exports in future. it's essential as a result of if we've to realize the target of eight % every year growth in gross domestic product throughout the Tenth Five-Year arrange, we'd like substantial export earning within the future. The decline in India's export continued intense presently once introduction of World Trade Organization Arrangement in 1995. The decline in India's exports throughout the post-World Trade Organization regime is also attributed because of varied restrictions obligatory by varied countries on Indian exports. This is often actually against the spirit of World Trade Organization. During this affiliation, it's important to watch that India's export yet as India's gross domestic product have declined quickly throughout the post-World Trade Organization era. This is often owing to proven fact that whereas developed nation aren't reducing subsidies on their farm product and at a similar time they're defending reduction in grant on farm product for developing nations together with Republic of India that has ultimately reduced the degree of aggressiveness of Indian farm product within the international market.

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