

## **INTERNATIONAL BUSINESS AND TRADE**

### **UNIT-3**

### **PART-V**

#### **WTO and INDIA**

India and her role in various international organisations are an important topic for the civil services exam. The World Trade Organisation (WTO) is a very important intergovernmental organisation that deals with international trade and commerce.

India has been a member of the WTO since January 1995 and also had been a member of the WTO's forerunner General Agreement on Tariffs and Trade (GATT) since July 1948. As a developing country, India has played a significant role in the proceedings of the WTO, especially in voicing its own concerns and also of the entire developing world.

In the Doha WTO conference that took place in 2001, India emerged as the most outspoken of advocates for the developing bloc. The meeting was declared a success since the delegates of 142 countries agreed to a new round of trade talks, including topics such as environment, competition and investment.

There are many implications for the Indian economy as a result of the many agreements signed as part of the WTO. They are discussed below:

#### **Reduction of Tariff and Non-Tariff Barriers**

The agreement proposes an overall reduction of tariffs on manufactured products and the phasing out of the quantitative restrictions over a period of time. The important implication is that the firms that have a competitive advantage would be able to survive in the long run.

#### **Trade-Related Investment Measures (TRIMS)**

This agreement forbids the host country to discriminate against investments from abroad vis-a-vis domestic investment i.e. agreement requires investment to be freely allowed by nations.

#### **Trade-Related Intellectual Property Rights (TRIPS)**

Intellectual property rights seek to protect and provide legal recognition to the creator of the intangible illegal use of his creation. It includes patents, copyrights, geographical indications, trademarks, industrial circuits, designs and trade secrets. Since the law governing these aspects vary vastly across countries, the agreement stipulates a basic homogeneity of the law so that no infringement of rights occurred. This required some changes in the domestic laws of countries including India. As a result, India amended the Copyright Act, the Patents Act, and the Trade and Merchandise Act. The pharmaceutical and biotechnology industries are expected to be hit the hardest. Another impact on India is expected to be in the transfer of technology from abroad.

#### **Agreement on Agriculture (AOA)**

This agreement deals with giving market access, reducing export subsidies and government subsidies on agricultural products. Read about the Agreement on Agriculture in detail in the link.

#### **Agreement on Sanitary and Phyto-sanitary measures (SPM)**

This deals with restricting exports of any country that do not comply with the international standards of germs/bacteria, etc. This is particularly related to industries such as marine food, food processing and other packed food.

#### **Multi-Fibre Agreement (MFA)**

This agreement is no longer applied. It was valid until 2004 only. It had essentially placed quotas on the amount of textile and clothing exports from developing to developed countries. The developed countries, including the USA and the EU, had this in place to protect their own domestic producers. As a result of this agreement being dismantled, a huge opportunity has opened up for developing nations such as India. To take advantage of this opportunity, India should have preparedness in terms of standardisation, modernisation, customisation and cost-efficiency to satisfy the demands of foreign customers.

### **India and the World Trade Organization – Latest Developments**

There are 4 important recent developments related to India and the World Trade Organisation (WTO). These 4 are listed below

1. Ban of Chinese Mobile Apps
2. Issues related to the Peace Clause
3. Information and Communication Technology (ICT) Tariff Case
4. Fisheries Subsidies

Ban on Chinese Mobile Apps – China Claims Violation of WTO Rules

After India banned 59 mobile apps of China, they have claimed that India has violated World Trade Organization (WTO) rules. Even if China complains, WTO may most likely favour Indian decision due to the following reasons.

- There is **no bilateral agreement** between India and China related to Smartphone apps.
- As per the rules of the World Trade Organisation (WTO), a country can take action against companies if it is a threat to the national security and sovereignty of the nation.
- China has blocked many global giants from entering its market on various pretexts.

Background and Issues related to the Peace Clause

Recently there was an issue concerned with the invoking of the Peace Clause by India at the World Trade Organisation (WTO). The below-given questions and answers will give a comprehensive understanding of the issue faced by India at the World Trade Organization (WTO).

**What is a Peace Clause?**

**High subsidies** are seen to be distorting global trade. The peace clause **protects a developing country's food procurement programmes** against **action from WTO members** in case **subsidy ceilings are breached**.

**Why did India invoke the Peace Clause at the World Trade Organisation (WTO)?**

In the month of April 2020, India informed the World Trade Organisation (WTO) that the value of India's rice production was \$ 43.67 billion in 2018-19 and India had given subsidies worth \$ 5 billion.

**What is the issue related to India invoking the Peace Clause?**

India was the first country to invoke the peace clause for breaching the subsidy limit for rice for the marketing year 2018-19. The limit is pegged at 10% of the value of food production (called de minimis) in the case of India and other developing countries.

**Which Countries questioned India on invoking the World Trade Organisation (WTO) Peace Clause?**

European Union (E.U.), United States of America (USA), Japan, Canada, Brazil and Paraguay have questioned India for invoking the World Trade Organization (WTO) peace clause for exceeding the ceiling on the support it can offer its farmers for rice. The European Union E.U has asked India for all the information on the products covered by the public stockholding programme to assure that only rice support exceeded the limits.

**What were the reasons given by India, in support of its breaching the subsidy limits and invoking the peace clause?**

- Rice stocks sold in the domestic market were not allowed for exports thus preventing the risk of distorting the global market.
- An adequate buffer stock of food grains helps deal with fluctuations in production and meet unforeseen exigencies and natural calamities.

**What is the next course of action for India?**

India has to hold consultations with other WTO members in line with the Bali ministerial decision of 2013 on public stockholding for food security purposes.

**Information and Communication Technology (ICT) Tariff Case**

- The World Trade Organisation (WTO) has decided to set up a dispute panel against India.
- The panel is being set up on the request of Japan and Taiwan.

- The dispute panels of the World Trade Organisation (WTO) would determine whether India's customs duties on imports of certain information and communications technology (ICT) products infringe WTO norms or not.
- Japan and Taiwan filed a case against India in WTO over the import duties imposed on certain electronic goods, parts of telephone sets, telephones for cellular networks; conversion and transmission or regeneration of voice, machines for the reception, images or other data.
- India has stated that these ICT products are part of WTO's Information Technology Products (ITA-2) agreement. India is a part of ITA-1, signed in 1997.

#### Dispute Resolution for Harmful Fisheries Subsidies

- India has sought a clear dispute settlement mechanism in the global agreement to end harmful fisheries subsidies
- WTO members are negotiating to finalise disciplines to eliminate subsidies for illegal, unreported and unregulated (IUU) fishing, and to prohibit certain forms of fisheries subsidies that contribute to overcapacity and overfishing.
- India wants to avoid undue haste and conclude the negotiations by next ministerial conference in June 2021.

There are other issues also like the Agreement on Countervailing Duties, Anti-dumping Duties, etc. which affect India.