

# INTRODUCTION TO WTO & FTA'S AND THEIR IMPACT ON STATES

SEMINAR ON THE IMPACT OF WTO AND FTA'S ON GUJARAT  
SPIPA, GUJARAT  
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# OUTLINE

- **WTO: What is it? Objectives, main functions, basic principles, coverage, membership and structure**
- **Developments: Doha Negotiations, State of Play – Impasse in MTS, Proliferation of RTA/FTAs – India's engagement in FTAs**
- **Impact and Role of States in International Trade/WTO**

# Trade Rounds: GATT

1 Jan. 1948	Entry into force of the GATT (Provisional Application)	
1949	"Annecy Round"	TARIFF
1951	"Torquay Round"	TARIFF
1956	"Geneva Round"	TARIFF
1960-62	"Dillon Round" - Geneva	TARIFF
1964-67	"Kennedy Round" - Geneva	NTMs - TARIFF
1973-79	"Tokyo Round" - Geneva	NTMs - TARIFF
1986-94	"Uruguay Round"	
Sep. 1986	Punta del Este (Uruguay) Declaration - Official Launch	
1988 & Dec. 1990	Montreal (Mid-Term Review) + Brussels Conference	
Dec. 1993	Completion of the Round (adoption of the FINAL ACT)	
Apr. 1994	Marrakesh Ministerial Conference (signature of the FINAL ACT)	
1 Jan. 1995	Entry into force of the Marrakesh Agreement (WTO)	
31. Dec 1995	End of the GATT 1947	

# World Trade Organization (WTO)

- **Successor to GATT**
- **International Organisation embodied in the results of the Uruguay Round**
- **Established: 1 January 1995**
- **Member driven (155++ Members + 30 in Accession)**
- **Serviced by WTO Secretariat - 650+ staff**
- **Based in Geneva**



# WTO MEMBERS: BACKGROUND

## Classification of Members

- Developing Countries
- Least-Developed Countries (LDCs)
- Developed
- Transition Economies

**Growing Membership in the WTO**



# WTO: Objectives

...relations in the field of trade... should be conducted with a view to:

- Raising **standards of living**
- Ensuring **full employment**
- Ensuring a large and steadily **growing volume of real income and effective demand**
- **Expanding the production** of and trade in **goods** and **services** with the objective of **sustainable development**
- Seeking to **Protect and Preserve the environment** and enhance the means for doing so in a manner consistent with the respective needs and concerns of WTO Members at different levels of **economic development**

# WTO: Main functions

- Administering **WTO Agreements**
- Forum for **trade negotiations**
- Handling **trade disputes**
- **Monitoring** members' Trade Policies
- **Coherence** in Global Economic Policy making
- **Technical assistance and capacity building** for developing countries and LDCs

# World Trade Organization (WTO)

## ● Coverage ...

- International Trade: Rules & Disciplines
  - Trade in Goods (GATT 1994 +)
  - Trade in Services (GATS)
  - Trade-related aspects of Intellectual Property Rights (TRIPS)
- Dispute Settlement Understanding (DSU)
- Trade Policy Review Mechanism (TPRM)



# WTO: Basic Principles

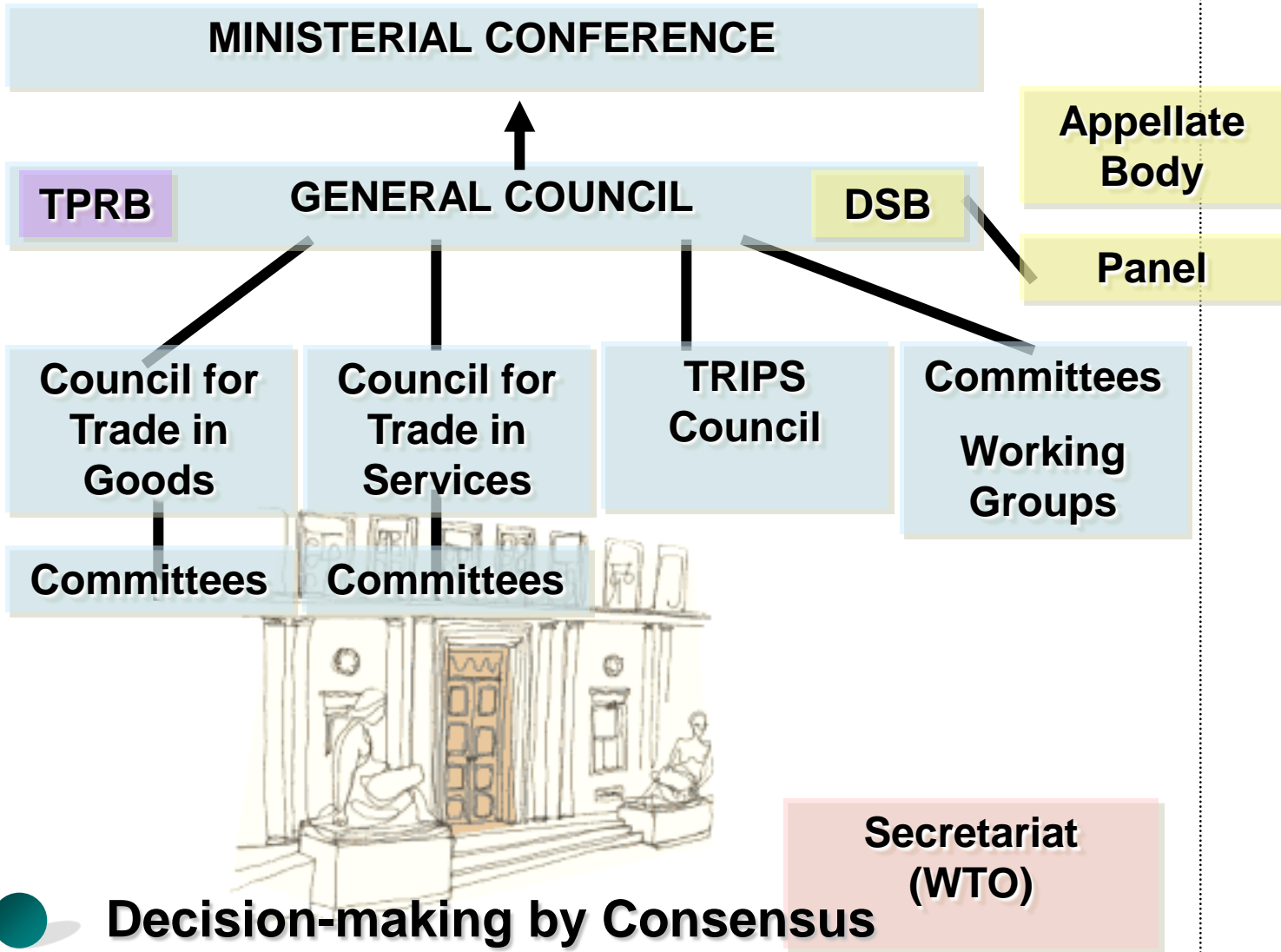
- **Non-Discrimination**
  - Most Favoured Nation (MFN)
  - National Treatment
- **Predictability and Transparency**
- **Liberalization: Freer trade through negotiations**
  - Goods (tariffs, NTMs), services, rules
- **Trade remedies (“fair” trade)**
- **Trade and development**
  - Special and differential treatment
  - Mainstreaming trade into national development policies (A4T)

Some exceptions and derogations exist

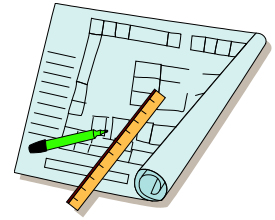
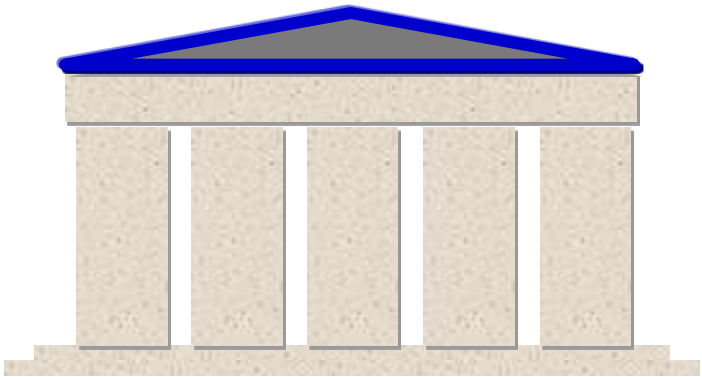
# WTO: In Practice

- **“Multilateral” trading system**
  - Plurilateral agreements
  - PTAs/RTAs
- **Member-driven**
- **Single Undertaking**
- **Decision-making by Consensus**
- **Legally binding**

# WTO : Structure



● **Decision-making by Consensus**



# MINISTERIAL CONFERENCE

To be held at least once every two years:

1996: Singapore

1998: Geneva

1999: Seattle

2001: Doha (Launch of the Doha Negotiations)

2003: Cancun

2005: Hong Kong

.....

2009 Geneva

2011 Geneva

Next WTO Ministerial – December 2013

# DOHA MINISTERIAL

## Fourth Ministerial Conference

- Doha (9-14 November 2001)
- Outcome (“Doha Development Agenda”)

## Doha Development Agenda

- **Doha Ministerial Declaration**
- Decision on **Implementation Related Issues**
- **Declaration on TRIPS & Public Health**



# DOHA MINISTERIAL DECLARATION

- Adopted by **all** WTO Members
- Work Programme launched
  - Negotiations (Market Access, Rules, Trade & Environment, TRIPS etc.)
  - Establishment of Working Groups (Trade-Debt/Finance, small economies)
  - Development Dimension (LDCs, TA/CB, S&D etc.)
- Organization and Management of Work Programme
  - Trade Negotiations Committee (TNC)
  - Mid Term Review (Cancun and Hong Kong Ministerial Conference)
  - Single Undertaking (except DSU)
  - Target Date for Conclusion: 1 January 2005 (**Missed deadlines**)
  - Negotiations open to **all** WTO Members and Observers
- What next.....?
  - Impasse.....breakthrough?
  - Technical work or political will?

# WTO : 15 YEARS ++

**Entry into force 1 January 1995**

**Greater transparency, predictability and non-discrimination**

**Progressive improvements in market access for goods and services**

**WTO Ministerial Conferences**

**Doha Development Agenda (Doha Round)**

**Dispute Settlement**

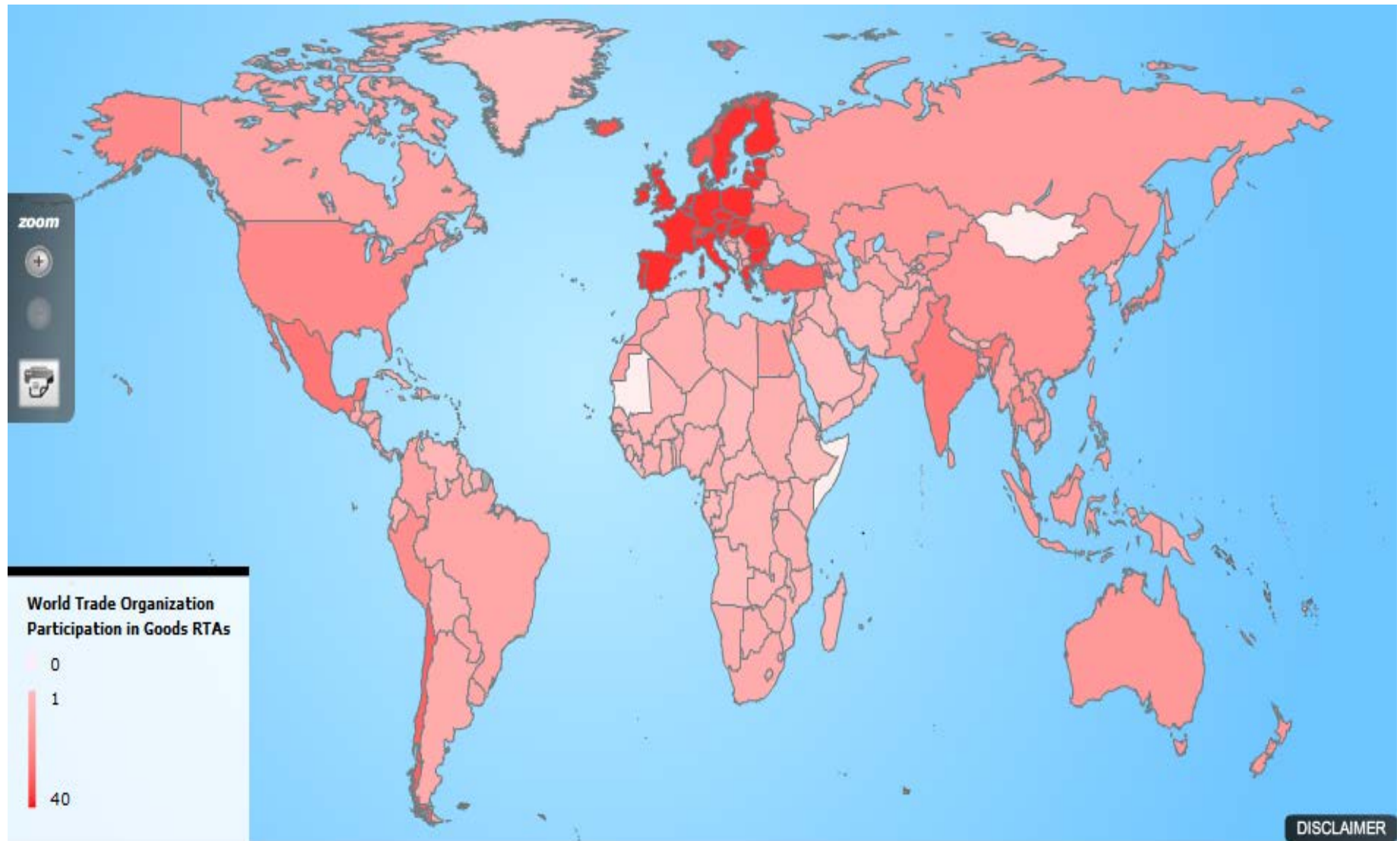
**Steady increase in WTO Membership**

# PROLIFERATION OF FTA/PTA'S

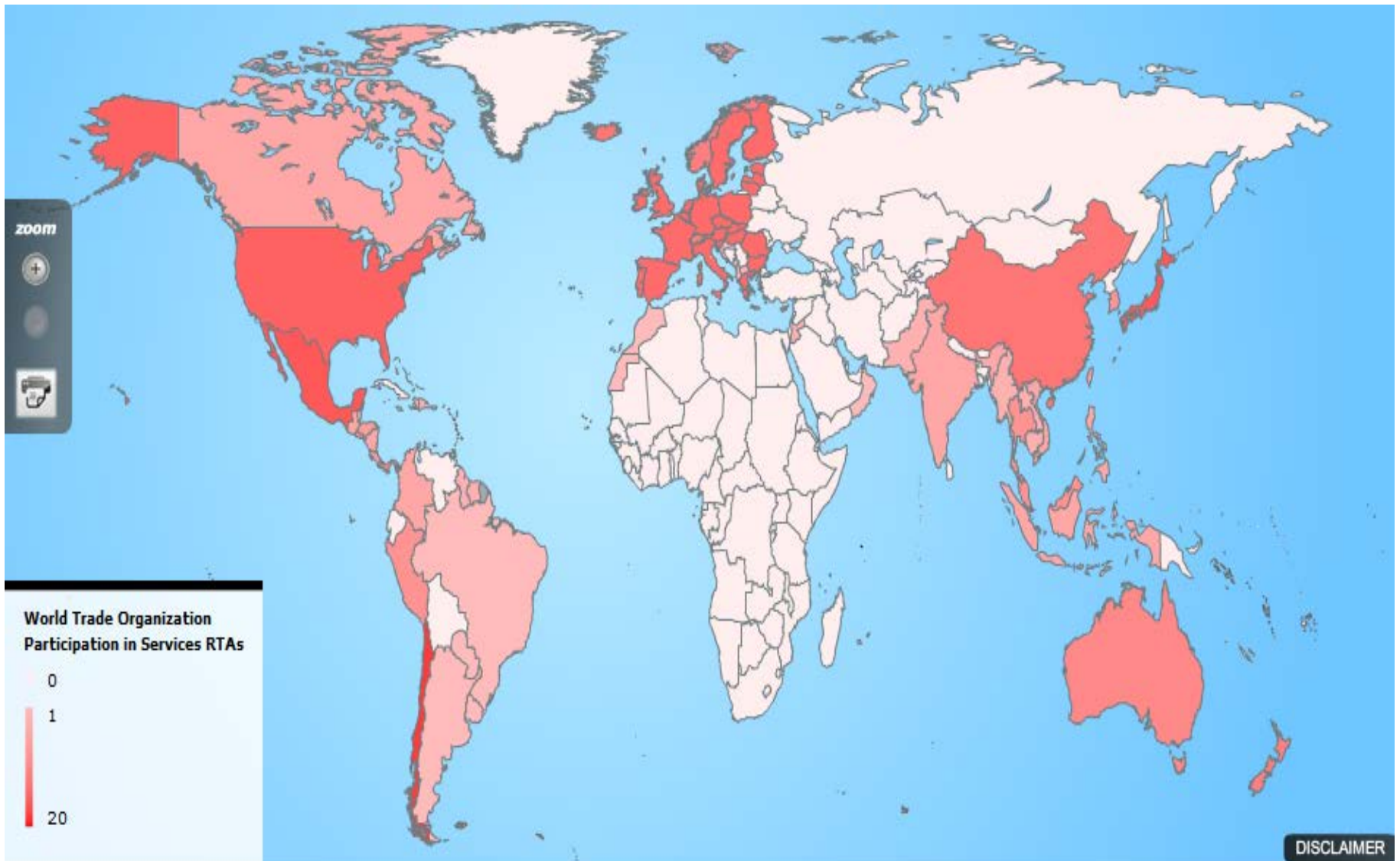
- Four fold jump in RTA/PTAs: Abt. 70 in force in 1990; 300+ by 2010
  - Intra PTA trade as % of world merchandise trade doubled (18% - 1990; 35% - 2010)
- Geographical distribution
  - Global rush to sign up (don't want to be left out)
  - RTAs or PTAs (regional or cross-regional)
- Actors/Parties to RTAs
  - At same and/or different levels of development



# GOODS RTAS (NOTIFIED & IN FORCE - 2011)

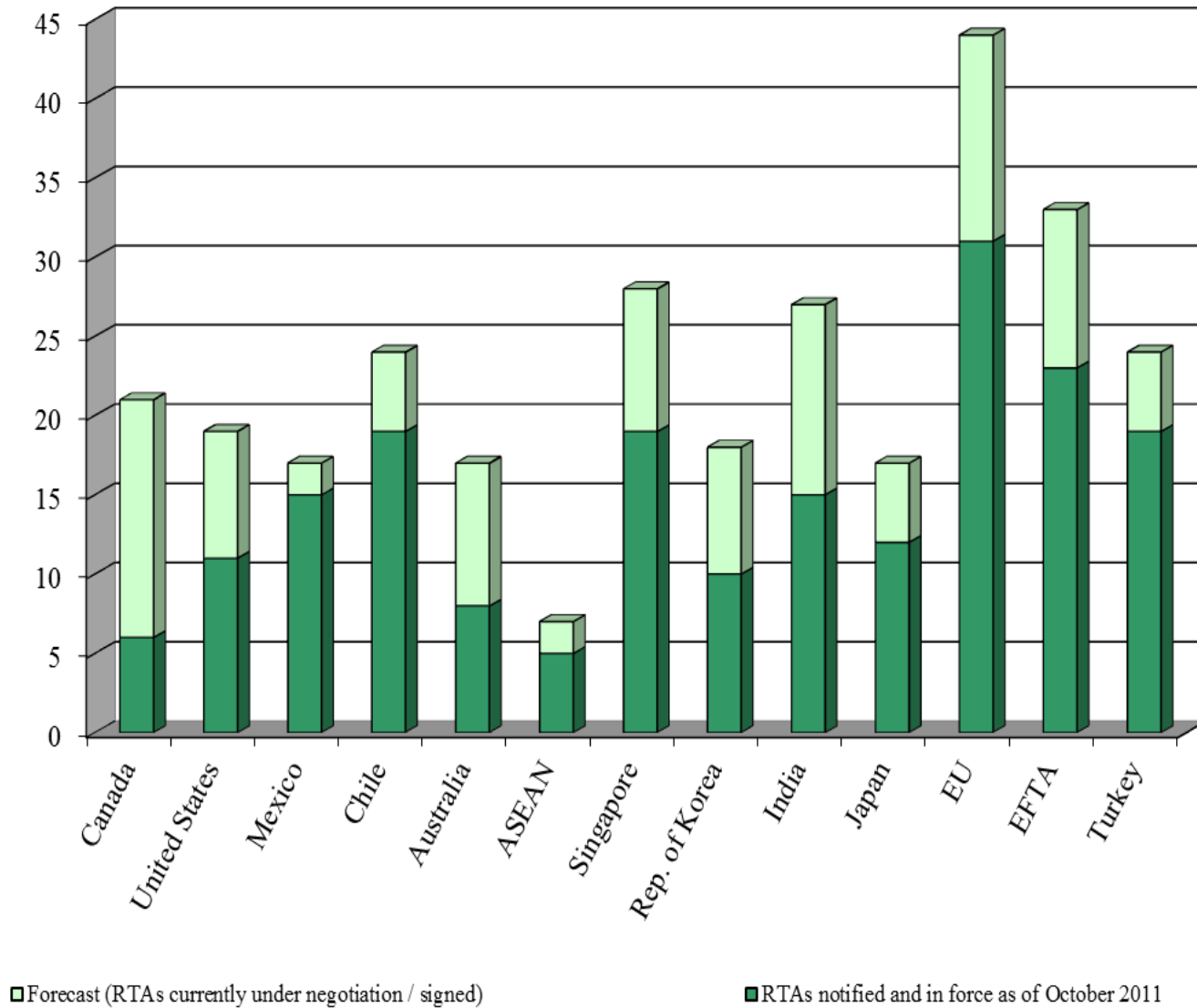


# SERVICES RTAS (NOTIFIED AND IN FORCE - 2011)



Source: WTO RTA Database, <http://rtais.wto.org>

# WHO ARE THE ACTIVE ONES..?



# INDIA'S FTA/PTA'S (CONCLUDED)

- **SAFTA**
- **India - Sri Lanka FTA**
- **India – Singapore CECA**
- **India – Malaysia CECA**
- **India – ASEAN FTA (Goods)**
- **India – Japan CEPA**
- **India – South Korea CEPA**
- **India – MERCOSUR PTA**
- **India – Chile PTA**

# INDIA'S FTA/PTA'S (ONGOING NEG.)

- **India-EU Bilateral Trade and Investment Agreement**
- **India – EFTA Bilateral Trade and Investment Agreement**
- **India-ASEAN Free Trade Agreement (services)**
- **India-Sri Lanka Comprehensive Economic Partnership Agreement**
- **India-Thailand Comprehensive Economic Cooperation Agreement**
- **BIMSTEC Free Trade Agreement**
- **India-GCC Free Trade Agreement**
- **India-SACU Preferential Trade Agreement**
- **Expansion of India-MERCOSUR Preferential Trade Agreement**
- **India-New Zealand CECA**
- **India-Canada Comprehensive Economic Partnership Agreement**
- **India-Australia Comprehensive Economic Cooperation Agreement**
- **India-Indonesia Comprehensive Economic Cooperation Agreement**

# IMPACT OF INTERNATIONAL TRADE ON STATES

# WHY SHOULD STATES BOTHER ABOUT INTERNATIONAL TRADE?

- **Exports can boost the economy of a State**
- **To comply with WTO obligations**
- **To take advantage of WTO rights**
- **To provide negotiating inputs to DoC**

# GAINS FOR STATES FROM EXPORTS

- **State's export orientation has a statistically significant impact on employment in different enterprises.**
- **Enterprises belonging to a state with higher export orientation generate higher employment.**
- **Higher the export-orientation of a state, higher the wage rates paid by large enterprises in that state.**
- **Export orientation of a state significantly influences employment as well as wage rates in the industry.**
- **States such as Punjab, Gujarat, Maharashtra, Andhra Pradesh, Karnataka and Tamil Nadu garnered economic gains from exports.**
- **Developing backward linkages**



# WTO OBLIGATIONS: COMPLIANCE AT STATE LEVEL

- **Taxes discriminating against imported goods prohibited**
- **Notification obligations related to subsidies**

# ADVANTAGE OF WTO RIGHTS

- **Making subsidy schemes non-actionable**
- **Seeking protection against unfair trade practices**
  - Data for establishing injury
- **GI: action at State level**

# MECHANISM FOR PROVIDING NEGOTIATING INPUTS

- **Research for identifying interests of the State in the context of specific trade negotiations**
- **Structured mechanism for awareness building and organising stakeholder consultations**
  - Database of product-level associations in the state

**Any comments/questions?**

**Thank you for your kind attention!!!!**

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