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World trade organization and corporate governance: Indian perspective

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Abstract

World trade organisation (WTO) is principal international body concerned with solving trade problem between countries and provide a forum for multi- lateral trade negotiations. It falls under 3 categories GATT, GATS and TRIPS. Three types of trade barrier have been recognized by WTO agreement “tariff, dumping and technical trade” Its main motive is to provide transparency so corporate governance has become a buzzword, with the thrust given to the globalization because the setting up of WTO corporate governance represents the ethical, moral and value framework. IN Indian context the need for corporate governance because of scams In India corporate scene must be able to induct global standards so that at least we can reduce the scope of scam. Good corporate governance, good government and good business go hand in hand.

Keywords: World trade organization and corporate governance, Indian perspective

Introduction

The clarification and strengthening of GATT rules and creation of the Wto also hold out the promise of more effective policing and enforcement of GATT rules. Gatt was an informal arrangement, began in 1948, entered into by the countries to promote international trade and reduction of tariffs. It has been replaced by WTO since 1995 as per the Uruguay round of GATT negotiation its head quarter is situated in Geneva (Switzerland). Now wto is the principal international body concerned with solving trade problems between countries and provides a forum for multinational trade negotiations. The wto currently has 159 members that account of 97% of the world trade, members are mostly government but can also be custom territories. Now the director of wto is Roberto Azevedo (6th director of wto). India becomes the member of Wto on 1st January 1995. All major decision of wto taken by members as a whole (normally by consensus). Official language of wto is Spanish, French and English. The Wto acts as an umbrella organization that encompasses the gatt along with two new sister bodies, one on services and the other on intellectual property. In the post- wto era, international trade has witnessed the dismantling or dilution of many trade barriers, especially that quantative restrictions, that has encouraged freer flows of trade among the countries. Today the buzzword is globalization and the fancy statement is that we live in global village. Though the word globalization is interpreted in different ways, the general understanding is that it refers to integration of different countries / markets through free movement of factors and evolution of common products and practices around the globe. While wto works towards globalisation and multilateralism in trade, the development taking place simultaneously is the emergence of regional trade agreements promoting inter – regional trade. Wto has main motive to provide transparency. It should be admitted, through that the wto has stepped up efforts to remedy a number of good governance deficits. About 30% of all wto documents circulate as restricted in order not to harm negotiating positions. Obviously, document restriction hampers transparency and public information.

WTO–functions

WTO is the legal and institutional foundation of the multilateral trading system. its essential functions are:

1. Administering and implementing the multilateral and plurilateral trade agreements which together make up the wto
2. Acting as a forum for multilateral trade negotiations

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3. Seeking to resolve trade disputes
4. Overseeing national policies
5. Rendering technical assistance and training for developing countries and
6. Cooperating with other international institutions involved in global economic policy making.

Scope of WTO in context of India

Nearly 70% of the population in India depends on agriculture. It was hoped that the start of WTO negotiations would pave the way for an arrangement reflecting the aspirations of farming communities in India. The failure of the Seattle ministerial conference in 1999 blunted that hope. Indian agriculture was perceived as badly in when a compliance with its obligations under WTO on 1 April 2000. The govt. of India eliminated all import restrictions from more than 700 items, a large portion of which were agricultural commodities.

India's priorities in the WTO negotiations on agriculture cannot but include the protection of domestic agricultural production and the welfare of farmers, what with the political interests that prevail in any economy facing uncertain electoral issues. The government has no choice but to bring in measures that seek to ensure food security, livelihood, and rural development. Obtaining market access for products of export interest to India's is also high on the agenda.

Structure of WTO

Highest level: ministerial conference

Second level: general council

Third level: council for trade

Fourth level: subsidiary bodies

WTO's trading system principles

1. Trade without Discrimination
 - a. MFN principle (most favoured nation)
under the WTO agreements, countries cannot normally discriminate between their trading partners
 - b. National treatment
imported and locally - produced goods should be treated equally - at least after the foreign goods have entered the market.
2. Freer Trade
 - Lowering trade barriers.
 - Progressive liberalization - to allow for adjustment.
 - Developing countries at usually get longer time to fulfil obligations.
3. Policies should be Predictable
 - Trade barriers should not be raised arbitrarily.
 - Promising to lower a trade barrier is as important as lowering it.
 - When countries agree to open their markets for goods or services, they "bind" their commitments.
 - Higher degree of security for traders and investors.
 - Trade rules should be as clear and transparent (public) as possible.
4. Promoting Fair Competition
 - WTO is not just "free trade", it is fair trade.
 - Allows protection under limited circumstances.
 - Discouraging "unfair" practices such as export subsidies and dumping products at below cost to gain market share.

5. Beneficial for lower / less Developed Countries
 - Transmitted periods for developing countries and LDCs to
 - To adjust to the new provisions.
 - Cover ¾ of the WTO members are developing countries and transition economies, which need more flexibility and special privileges.
 - Better - off countries should accelerate implementing market access commitments on goods exported by LDCs.

Contribution of WTO in Indian global economy

The world trade organization is playing an important role for administering the new global trade rules in the following ways.

1. **Trade Agreement:** The WTO administers, through various councils and committees, the 28 agreements contained in the final act of the Uruguay Round, plus a number of plurilateral agreements, including one government procurement.
2. **Tariffs Rules:** The WTO also oversees the implementation of significant tariff cuts (averaging 40 percent) and reduction of non-tariff measures agreed to in the trade negotiations.
3. **Trade Watch Dog:** The WTO is a watchdog of international Trade, regularly examining the trade regimes of individual members. In its various bodies, Members flag proposed or draft measures by others that can trade conflicts. Members are also required to notify in detail various trade measures and statistics which are maintained by the WTO in a large data base.
4. **Various Conciliation Norms:** The WTO provides several conciliation mechanisms for finding an amicable solution to trade conflicts that can arise among members.
5. **Trade Disputability Settlement:** Trade disputes that cannot be solved through bilateral talks are adjudicated under the WTO Dispute Settlement Court Panels of Independent expert are established to examine disputed in the light of WTO rules and provide rulings. This tougher streamlined procedure ensures equal treatment for all trading partners and encourages members to live up to their obligations.
6. **WTO is consultant body:** The WTO is a management consultant for world trade. Its economists keep a close watch on the pulse of the global economy and provide studies on the main trade issues of implementation or Uruguay Round results through a newly established Development division and strengthened technical co-operation and training division.
7. **Checks of Trade Barriers:** The WTO will be forum where countries continuously negotiate exchange of barriers all over the world. And the WTO already has a substantial agenda for further negotiations in many areas.

Recommendation of WTO for India on global platform

- The key issue for India was a compromise on food subsidies, since it has announced a massive programme for stockpiling food to feed the poor, in breach of the WTO rules on subsidies.
- In India, the WTO and the import liberalization regime have been blamed for the stock piling of foodgrain and the falling agricultural product prices. The removal of

quantitative restrictions (QRs) on agricultural products has further added to the fears. However, while Indian agriculture is certainly exposed to the world market, it is fairly obvious that the blame has been shifted from domestic failure to external factors. There are four distinct sets of WTO-related issues confronting Indian agriculture that need to be clearly understood and discussed in the ensuing public debate. The first is the fallout of the removal of QRs. There has been no surge in imports, even where protection is not being provided by a ban on imports but by customs duties. However, agriculture continues to be protected, especially, after some anomalies such as zero tariffs on cereals and dairy products have been removed.

- The Indian Government appears to have chosen to place greater importance on protecting agriculture than on liberalizing farm exports. This is apparent from the demand for constituting a “Food Security Box” that will facilitate higher levels of protection and codify provisions that already exist in the WTO agreements. An influential section in the policy-making establishment has been pushing for India to become an aggressive agricultural exporter. But on the other hand joining the side of the agricultural exporters at the WTO is at the cost of a lowering of import protection. While India continues to demand adequate market access for its exports, the Government has decided against an aggressive position on liberalization of trade in agriculture.
- NEXT issue is the functioning of the 1994 WTO deal on agriculture, which far from boosting trade, has been used by the rich countries to increase farm subsidies. Experts in the country have demanded a review of this agreement, but such a review underlies the preparatory work now going on at the WTO for future talks. Besides, India has already made official proposals to address the “implementation problems” in the farm pact. Going further may force India to offer more concessions on imports. The fourth issue is intellectual property protection. Compelled as India was in 1994 to agree to provide sui generis protection to plant varieties, it had the choice of drafting its own legislation. This could have contained innovative provisions to protect traditional rights.

Subsidies

According to agriculture agreement, domestic policies have a direct effect on production and trade have to cut back. So, wto categorises subsidies into 3 categories to remove this problem.

1. “Amber box” subsidies: having a direct effect on production and trade.
2. “Green box” subsidies: with very minimal impact on trade.
3. “Blue box” subsidies: certain direct payments to farmers where the farmers are required to limit production. it is allowed with certain conditions.

India's policy at the WTO

The Indian position in the Doha Agenda negotiations The Doha Agenda for development has led to the hope that developing countries' interests could be taken into account in more effective and fairer ways. Within the WTO, one of the most important negotiating groups including

developing countries is the G-20.³¹ Created in the final stage of the Cancun Ministerial Meeting, this group, first concerned with agriculture, now deals with issues such as non-agricultural market access (NAMA), services, and trade facilitation. The G-20 position on agricultural products is that developed countries should eliminate trade-distorting subsidies. In the meantime, they should considerably reduce their customs tariffs, while allowing developing countries to maintain appropriate customs tariffs for the protection of their domestic production. India particularly defends the idea that developing countries should be able to self-designate and protect Special Products based on the criteria of food security, livelihood security and rural development.³² G-20 is a somewhat hostile alliance, frequently opposing the EU and the USA, and one in which the support of China will be crucial for bargaining.³³ Nevertheless, there are a fair number of contradictions between its members. Some of them, Brazil for instance, are also part of the Cairns Group, which advocates overall reductions, particularly of higher tariffs (in accordance with the “Swiss formula”), especially in agriculture, reductions to which India is firmly opposed.³⁴ These positions are also challenged by the proposals taken by the G-33 on Special Products and on the special safeguard mechanism in agriculture for developing countries.

Role and Responsibilities of India in Governance of a Post-Doha Round WTO India is delicately placed in today's global trading landscape. India needs to do a fine balancing act between its economic interests and political diplomacy. For furthering its economic interests India cannot adopt a confrontational stance with the North. At the same time it has to try to tap the huge potential benefits of deeper economic and trade cooperation with the larger South. One important feature of India's high export growth is that it has been realised primarily through an increase in its export to traditional trading partners, USA and the EU and a huge expansion in its trade with China. With Indian service sector hugely dependent on Northern markets for its export, India's cooperation with North is equally important.

So far India has successfully led developing countries in furthering their trade agenda at the multilateral forum. The post-Doha round period would be crucial for sustaining this South-South solidarity. The collective strength of developing countries would be extremely important to ensure the effective implementation of Doha round agreements. Developing countries need to be doubly careful after having seen the poor implementation record of the Uruguay round of trade agreements. India did try to raise this issue at the Seattle Ministerial Conference in 1999 and after that at Doha in 2001 but the issue lost its prominence because of lack of interests shown by developing countries themselves. It is because of the sole efforts of India that a separate text on implementation was formulated and included as part of the Doha Development Agenda.

India's recent announcement of providing duty free quota free market access to all LDCs is a good gesture, which would definitely help in further cementing its alliance with poor developing countries. With the growing importance of technical assistance, India needs to emphasise the usefulness of “trilateral development cooperation”. The WTO Task Force on Aid for Trade, constituted to make recommendation for its effective operationalisation, too endorsed this mode of delivery of technical assistance to

poor countries.

Corporate Governance in Multilateral Trading System

Just as negotiation on trade liberalisation in agriculture, non-agricultural market access, and services – is crucial, so too is the governance of the multilateral trading system to advance the growing legitimate interests and aspirations of developing countries. Contrary to the expectations of developing country members of the WTO who formed the majority of its membership the multilateral trading system established after the successful conclusion of Uruguay Round further perpetuated the inequity. The ongoing Doha round of trade negotiations too is not giving enough reasons to developing countries to feel optimistic about getting a pro-development deal. However, one significant achievement of the ongoing Doha round is that developing countries have been successful in increasing their participation in the WTO negotiations. Now, the challenge is how to translate it into effective participation. The second important CORPORATE governance issue is to strengthen the rule-enforcement processes of the WTO.

Conclusion

Since the collapse of the WTO's Seattle Ministerial Conference in 1999, host of issues concerning the operation and governance of WTO system got unprecedented attention. It got further impetus in the course of the Doha round of trade negotiations. Developing countries are no more passive onlooker to the entire process of negotiations in the WTO. After Seattle another WTO Ministerial Conference collapsed at Cancun in 2003. However, in more than one ways Cancun proved to be a turning point in the history of multilateral trading system. It further reestablished the fact that developing countries cannot be taken for granted as happened in the previous rounds.

The ongoing Doha round of trade negotiations is not only about dismantling agriculture trade barriers, agreeing on coefficients in NAMA but perhaps more importantly on redefining the role and functions of multilateral trading system. Developing countries in earlier decades had cooperated only politically as we have witnessed the formation of G- 77, NAM etc. Now they have realised the importance of greater degree of economic and trade integration among themselves. The IBSA (India, Brazil and South Africa) initiative by the three larger developing countries encompassing the three continents is a case in point. There have been further deepening and widening of South-South FTAs such as AFTA (ASEAN Free Trade Agreement), Mercosur – the two relatively most successful FTAs of the South.

This new found strength of Southern countries is not only because of their sheer numerical strength but their growing economic importance in world economy. The rise of China in manufacturing, emergence of India in Services and strength of Brazil in agriculture have made international community realise that it is the larger South which provides new opportunities for trade and investment. What is more important that developing countries have now started realising their collective strengths and bargaining power. It is this very hard fact which has helped them to influence the agenda of multilateral trade negotiations. In agriculture, for instance, unlike USA and EU in the past, in the current Doha round G-20 is setting the agenda of negotiations.

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