

Role of WTO in Foreign Trade of India

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ABSTRACT: This paper's goal is to investigate how the World Trade Organization affects India's foreign trade. When the World Trade Organization (WTO) was established on January 1, 1995, it had an impact on the global economy as a whole since it created the new global trade regulations. The consequences of the WTO with regard to India are the focus of this paper. How much has India's trade expanded since the WTO was put into place? It came to the conclusion that India's commerce has not expanded to the level that was anticipated, which has led to a low level of advantages from global trade.

INTRODUCTION

Since its founding in 1995, the World Trade Organization (WTO) has worked to forge solid trade ties between its member nations. The WTO is appropriately referred to as the institutional and legal cornerstone of the multilateral trading system. The General Agreement on Tariffs and Trade (GATT) is replaced by this organization. Since its founding, the WTO has had a significant influence on the trade relations between its member nations. Due to its membership in the GATT, India also joined this organization in 1995. The impact of the World Trade Organization on India's foreign trade is a topic of debate among academics. A succinct examination of it has been completed under The World Trade Organization's founding in January 1995 and trade liberalization in 1991 have prompted several inquiries about the prospects for current and future development in developing nations, according to Dasgupta (2004), Sidhu & Kaur (2004) found that India's external sector has undergone a dramatic change since 1991, when the country faced a serious balance of payments crisis. This is because global trade is actually distorted by trade, rather than being founded on free and competitive conditions in the global market.

Indeed, the composition of commodities and the direction of India's merchandise imports and exports have changed significantly in the post-liberalization and post-WTO eras, but concurrently, the trade balance deficit has been growing. Furthermore, as a founding member of the WTO (1995) and GATT (1947), India has been working to expand trade and

economic ties on a worldwide scale. According to Chawla (2003), India has participated in several rounds of trade discussions in an effort to strengthen its commercial connections. Furthermore, for more than 60 years, it had made use of the financial resources of global financial institutions.

The majority of industrialized nations have imposed various trade restrictions on India. Unrealistic standards, testing, leveling, and certification, export subsidies, service barriers, government procurement policies, and other quantitative limits are some of the limitations that industrialized nations put on India. According to Anil Bhuiwali and Satrajit Dutta (2006), the WTO is entirely dominated by a small number of industrialized countries, such as America, and as a result, the developed world constantly manipulates its rules. In actuality, the developed world's wealthiest nations control the entire global economy. A vicious circle of debt, population growth, poverty, and unemployment ensnares many developing nations.

Only one-fifth of the world's population lives in developed nations, yet they account for 80% of global manufacturing revenue. Romesh Chand (2002) claims that while the amount of agricultural exports has increased over the WTO period, their value has decreased. As a result, post-WTO global trade has benefited agricultural product consumers while harming agricultural farmers. In a similar vein, the WTO has favored net importers of agricultural goods while penalizing net exporters. Compared to developing countries, the group of developed countries has seen a greater fall in the value of agricultural exports. Devroy, Bibek, and Kaushik P.D. (1999) examined the effects of WTO laws on Indian agriculture in their research Indian Industries Guide to WTO. The agro-food sector is seen as an industry by the writers. "Myths and Realities" is one of the topics covered in the study. "Water measures and their effects relating to Indian agriculture, "Green box policies," and "Aggregate measurement of support. According to the authors' estimation, agriculture exports will reach approximately \$38.70 billion globally by 2023. WTO

restrictions will require approximately 90% of these exports to contend with increased competition in international markets. He asserts that policymakers must implement sufficient steps to safeguard Indian agriculture from the threats posed by the World Trade Organization. Before joining the WTO, India's international trade seemed to be quite slow. For example, India's imports and exports totaled \$675.44 billion and \$328.86 billion, respectively, in 2023-24. While in 1992, imports totaled Rs. 63,375 crores, while exports were Rs. 53,688 crores. In 1993-94, imports reached Rs. 73101 crores, while exports totaled Rs. 69,751 crores.

The pattern of India's exports before the establishment of the WTO shows that Commonwealth countries (nations formerly under British rule) made up 54% of India's total exports during the pre-war period. The United Kingdom (UK) held the largest share, accounting for 34% of these exports. Japan (9%) and the United States (8%) followed in significance, while France, Italy, the Netherlands, Belgium, and Germany collectively made up around 15%. After the war, trade with Japan and Germany ceased, and European markets, especially the UK, were disrupted, leading to a decline in India's export volume. However, after India joined the WTO, there was a notable increase in trade. In 2004-05, imports surged to ₹3,33,907 crores, and exports rose to ₹2,42,435 crores. It is also important to note that the structure of India's trade has changed significantly since then.

Previously, India's main imports consisted of food grains, consumer goods, and capital goods. However, the country has now reached a position where it can export not only food items but also spices, rice, and other non-traditional products. The data shows that while India's export value has increased since joining the WTO, the rise in exports has been notably smaller compared to the surge in imports. A significant trend is the decline in India's trade with OECD (Organization for Economic Cooperation and Development) countries, dropping from 54% in 1990-91 to 46% in 2003-04. Trade with Europe specifically decreased from 18% to just 2% during the same period. In contrast, trade with developing and least-developed countries has shown a different trajectory. For instance, India's trade with OPEC (Organization of Petroleum Exporting Countries) increased from 6% in 1990-91 to 15% in 2003-04, and 46% in 2023/2024, down from 55% in the previous year trade with other developing regions, including Asia, Africa, Latin

America, and the Caribbean, grew from 25% to 37% over the same period. Before the WTO, India's foreign trade was largely limited to a few countries like Russia, the UK, the USA, and neighboring countries. In the post-WTO era, India's trade has expanded significantly to include many WTO member countries, such as Congo, Mongolia, Niger, Nicaragua, and Rhodesia.

In 2022-23, the China was India's major trade partner, but the highest percentage of imports came from the European Union (7%) and Asian countries (6%) of the total imports. Only seven export items from India had a global share exceeding 5%, including rice, tea and mate, spices, iron ore, medicinal and pharmaceutical products, leather goods, pearls, and precious and semi-precious stones. In December 2014, India's exports were valued at US \$25,397.74 million (₹159,378.46 crore), while imports amounted to US \$34,832.56 million (₹218,584.77 crore). In 2013-14, India saw significant export growth to North America (9.1%) and Africa (7.2%), moderate growth to Europe (4%) and Asia (1.7%), and negative growth to Latin America (-20%) and the CIS and Baltic regions (-4.7%). Export growth to the US was 8.3%, while it was only 2.2% to the EU 27, reflecting the economic slowdown in the EU. Exports to the UAE declined sharply by -16%. Although exports to Asia accounted for around 50% of India's total exports, growth was modest. Exports to ASEAN (Association of Southeast Asian Nations) rose by just 0.5%, but trade with South Asia saw strong growth, particularly to the four major SAARC (South Asian Association for Regional Cooperation) countries—Sri Lanka, Bangladesh, Nepal, and Pakistan—along with Bhutan.

India experienced strong export growth to China (9.5%) and Japan (11.7%). However, region-wise, imports declined across all five major regions, with the steepest drop from Europe (-19.3%). In 2013-14, India's trade as a percentage of GDP stood at 58%, similar to previous years. The top three trading partners—China, the USA, and the UAE—alternated in leading positions. Bilateral trade balances showed surpluses with the USA, UAE, Singapore, and Hong Kong in 2013-14, with a notable increase in the export-import ratio with the USA. India's trade deficit with Switzerland sharply reduced from US \$31.1 billion in 2012-13 to US \$17.6 billion in 2013-14, largely due to a decrease in gold imports. While India continues to have a significant trade deficit with China, it fell by \$41.9 billion in 2023-24. Given the increasing

importance of China, India needs a comprehensive trade strategy to tap into its export potential in the Chinese market.

Overall, India's trade has grown in absolute terms, and the export-to-GDP ratio has improved. However, imports have outpaced exports, leading to a sharp rise in the trade deficit. While India's export performance has improved, the persistent trade deficit poses challenges to efforts aimed at making India economically strong and viable. This is certainly a matter of grave concern for the country as earlier also and right from 1994-95 to 2023-24, 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's 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.

RECOMMENDATIONS

With reference to TWCs like India, the following suggestions can be made to make the World Trade Organization (WTO) more effective in serving TWCs and to make our economy more open, competitive, and affluent through foreign trade.

1. Exportable must be consumed less domestically.
2. It is necessary to control domestic inflation.
3. Procedures must be made simpler and export charges must be decreased.
4. Since tariff and non-tariff barriers are still greater, the WTO needs to put pressure on the Most Developed Countries (MDCs) to lower them.
5. MDCs have started implementing import-substitution policies for Third World goods, including as those from India.
6. The International Monetary Fund-World Bank (IMF-WB) openness formula for globalization must be guided by the nation's best interests.
7. Modernization and better technology are essential for export-oriented industries.
8. It is necessary to enhance the terms of trade for primary products. Making primary products high-quality and globally competitive is necessary for this.
9. When putting into practice TRIMs, which guarantee international businesses equitable treatment. In order to prevent MNCs from capturing highly priority areas, the governments of the different countries must be granted the authority to restrict foreign direct investment.
10. To defend the rights of farmers in developing nations like as India. Members of these nations must be granted a specific level of protection by the WTO in the form of considerably higher tariffs.
11. In areas where developing nations have an advantageous position in skilled and unskilled labor, such as shipping, transportation, communication, health, education, finance, and media, developed nations are gaining control under GATS. However, MDCs have implemented strict immigration regulations that have impeded the free movement of labor. The WTO must not let this tendency.
12. In order to prevent wealthy nations from exerting pressure on developing nations, the WTO's structure needs to be made equitable.
11. It has been shown that exporters are unaware of the programs and policies of the organizations that support exports. In order to focus on current new and small entrepreneurs who are in the process of entering the export business, it is imperative that these institutions regularly organize seminars, orientation programs, and publicity campaigns in industrially concerned areas. This will help these exporters become familiar with the policies, facilities, and concessions available for exports, allowing them to benefit from the institutions' schemes.
12. Numerous exporters have established plants in underdeveloped regions such as J&K and the Northeast. However, a large number of these factories have shut down as a result of the implementation of value addition requirements. Therefore, the value addition requirements for the backward area strategy should be reviewed by the government.

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