OVERVIEW OF WTO & FTA’S AND THEIR RELEVANCE TO STATES

TRAINING OF TRainers PROGRAMME
CENTRE FOR WTO STUDIES, IIFT
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OUTLINE

• Why should State Govt’s be interested in international trade and WTO issues – The context?

• Overview of WTO: Objectives, main functions, basic principles, coverage, membership and structure

• Recent developments: Impasse in Doha Negotiations, Proliferation of RTA/FTAs – India’s engagement in FTAs

• Impact and Role of States in Intrnl. Trade/WTO/FTAs
States of India: Many States are larger than sovereign nations in terms of geographical size, population, goods/services produced or traded.

Important considerations: Production and employment structure, sectoral contributions to GDP, tradeable products, access to markets?

Department of Commerce, GoI responsible for WTO, international trade policy formulation/implementation. Other line Ministries / Govt. Agencies are also involved.

+ Role of States....
EXPORTS: TOP 15 STATES (USD MN)

Source: Economic Survey 2011-12, Chapter 7, International Trade
Background

- India’s Exports: US$312.35 bn; Imports: US$450.95 bn (2013-14)

- Impact of global slowdown... Steps taken to address current account/trade deficit

- Aim for 4% share of world trade by 2020
OVERVIEW OF WTO & INDIA’S ENGAGEMENT IN WTO & FTA’S
World Trade Organization (WTO)

- Successor to GATT
- International Organisation embodied in the results of the Uruguay Round
- Established: 1 January 1995
- Member driven (160+ Members & 25+ 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
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
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: SCOPE AND COVERAGE

• **Market Access**
  - Reduction of tariffs and non-tariff barriers in agricultural and non-agriculture (industrial) sectors, market access in services

• **Rules for the orderly conduct of trade**

• **Liberalisation of Trade in Services**

• **Norms for governing intellectual property protection**
COVERAGE OF THE GOODS SECTOR

• Agreements having sectoral focus
  • Agreement on Agriculture
  • Agreement on Textiles and Clothing

• Procedural Issues
  • Agreement on Pre-shipment Inspection
  • Agreement on Rules of Origin
  • Agreement on Import Licensing Procedures
  • Agreement on Trade-Related Investment Measures
  • Customs Valuation: Agreement on Implementation of Article VII of GATT 1994
  • Agreement on Trade Facilitation
COVERAGE OF THE GOODS SECTOR (CONT.)

- Harmonisation of standards
  - Agreement on the Application of Sanitary and Phytosanitary Measures
  - Agreement on Technical Barriers to Trade (Tokyo Round Code)

- Trade defense measures
  - Agreement on Subsidies and Countervailing Measures
  - Agreement on Safeguards
  - Anti-dumping - Agreement on Implementation of Article VI of the GATT 1994

- + Understandings/Interpretation of GATT provisions: STEs, BoP provisions, RTAs, waivers etc.
COVERAGE OF TRADE IN SERVICES (GATS)

• Business services
• Communication services
• Construction and related engineering services
• Distribution services
• Education services
• Environmental services
• Financial services
• Health related and social services
• Tourism and travel related services
• Recreation culture and sporting services
• Transportation services
• Other services not included elsewhere
GATS - FOUR MODES OF SUPPLY

• Mode 1: Cross-border trade
  • Corresponds with the normal form of trade in goods and maintains a clear geographical separation between seller and buyer
• Mode 2: Consumption abroad
  • Refers to situations where a service consumer moves into another Member's territory to obtain a service
• Mode 3: Commercial Presence
  • Establishment of an enterprise for providing services
• Mode 4: Temporary movement of “natural persons”
TRIPS AGREEMENT

- Protection of the following forms of IPRs:
  - Patents
  - Copyright and Related Rights
  - Trademarks
  - Industrial Designs
  - Layout-Designs of Integrated Circuits
  - Geographical Indications
  - Undisclosed information and Trade Secrets

- Enforcement Provisions
PLURILATERAL TRADE AGREEMENTS

• Agreement on Trade in Civil Aircraft
• Agreement on Government Procurement
• International Diary Agreement
• International Bovine Meat Agreement

Last two discontinued in 1997
WTO: In Practice

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

MINISTERIAL CONFERENCE

TPRB

GENERAL COUNCIL

Council for Trade in Goods

Council for Trade in Services

TRIPS Council

DSB

Appellate Body

Panel

Committees

Committees

Committees

Working Groups

Decision-making by Consensus

Secretariat (WTO)
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
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2009 Geneva
2011 Geneva
2013 Bali
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 DEVELOPMENT AGENDA

• 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 at Bali?
  ○ Technical work or political will?
BALI PACKAGE

PART I — REGULAR WORK UNDER THE GENERAL COUNCIL
- TRIPS Non-violation and Situation Complaints
- Work Programme on Electronic Commerce
- Work Programme on Small Economies
- Aid for Trade
- Trade and Transfer of Technology

PART II — DOHA DEVELOPMENT AGENDA
- Trade Facilitation
- Agriculture
  - General Services
  - Public Stockholding for Food Security Purposes
  - Understanding on Tariff Rate Quota Administration Provisions of Agricultural Products, as Defined in Article 2 of the Agreement on Agriculture
  - Export Competition
- Cotton
- Development and LDC issues
  - Preferential Rules of Origin for Least-Developed Countries
  - Operationalization of the Waiver Concerning Preferential Treatment to Services and Service Suppliers of Least-Developed Countries
  - Duty-Free and Quota-Free Market Access for Least-Developed Countries
  - Monitoring Mechanism on Special and Differential Treatment

PART III — POST BALI WORK
WTO : ALMOST 20 YEARS ..

• Entry into force 1 January 1995
• Greater transparency, predictability and non-discrimination
• Progressive improvements in market access for goods/ 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 TILL END 2012)

SERVICES RTAS (NOTIFIED & IN FORCE TILL END 2012)

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.)

- Regional Comprehensive Economic Partnership (RCEP)
- 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?

- Trade can boost the economy of a State
- To take advantage of WTO rights
- To comply with WTO obligations
- To provide negotiating inputs to DoC
STATES CAN.....

Create awareness of benefits and obligations amongst stakeholders and consult them regularly

Alert DoC to issues to be raised in the WTO/FTAs

Provide timely inputs for WTO notifications

Provide inputs for India’s negotiating strategy
SOME EXAMPLES OF WTO RIGHTS

• Trade remedies against unfair trade practices
  ➢ Data for establishing injury

• Intellectual Property: Geographical Indications

• Making subsidy schemes non-actionable

• Tariff and Non-Tariff Barriers faced by traders
SOME EXAMPLES OF WTO OBLIGATIONS: COMPLIANCE AT STATE LEVEL

• Basic Principles – State Taxes incidence on imports / domestic products (NT)

• Notification obligations related to subsidies
  • Agricultural
  • Industrial (Non-Agricultural)

• Regulatory framework for trade in services
MECHANISM FOR PROVIDING NEGOTIATING INPUTS

- Structured mechanism for awareness building and organizing stakeholder consultations
  - Database of producer-level associations in the state

- Identifying interests of the State in the context of specific trade negotiations

- Research on subjects of interest to States.
  - State’s export strategy
Any comments/questions?

Thank you for your kind attention!!!!

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