



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

**TRAINING OF TRAINERS PROGRAMME
CENTRE FOR WTO STUDIES, IIFT
19-21 MAY 2014**

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 Intrl. Trade/WTO/FTAs**

SHOULD STATES BE INTERESTED?

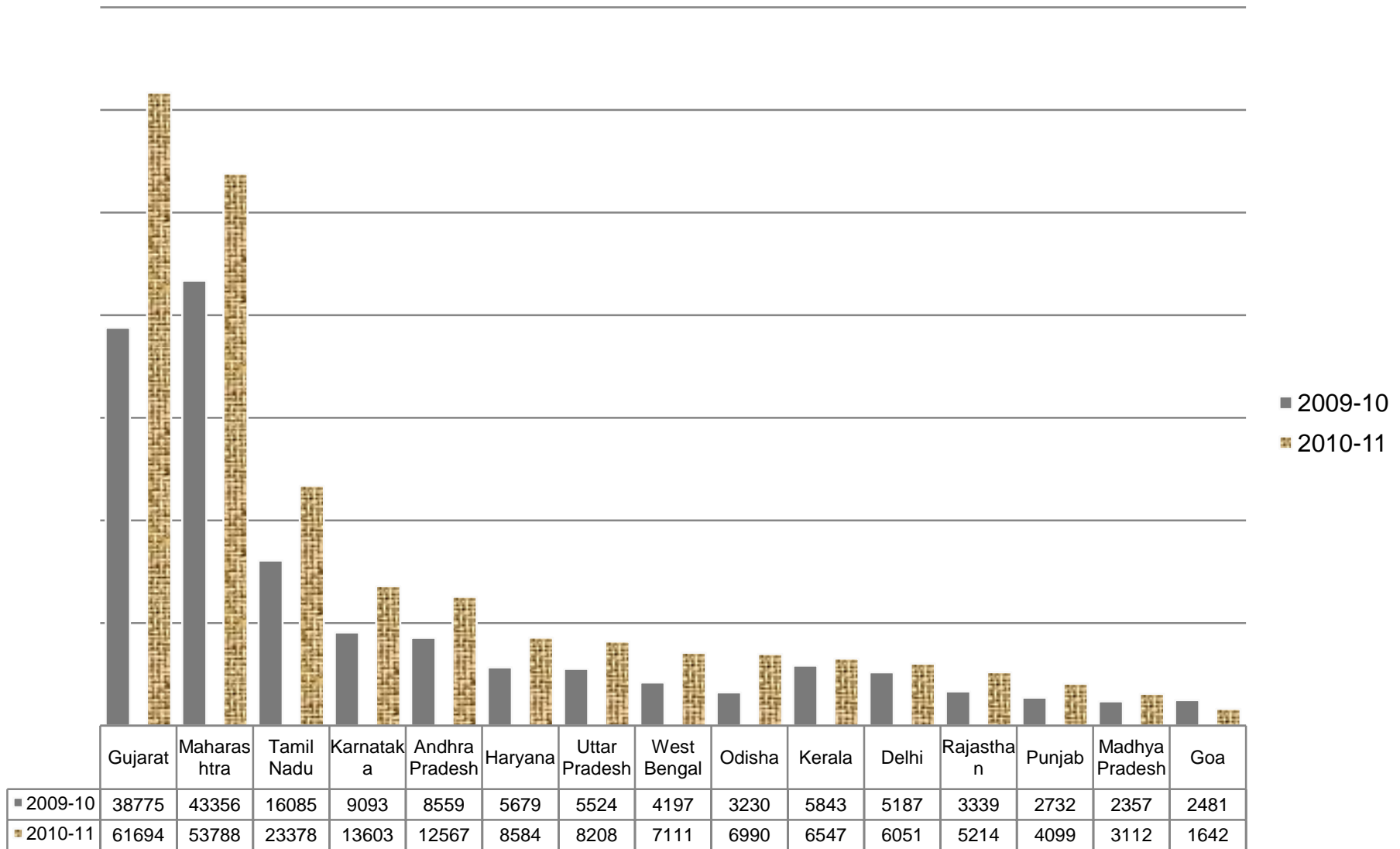
States of India: Many States are larger than sovereign nations in terms of geographical size, population, goods/services produced or traded.

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

Department of Commerce, Govt 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

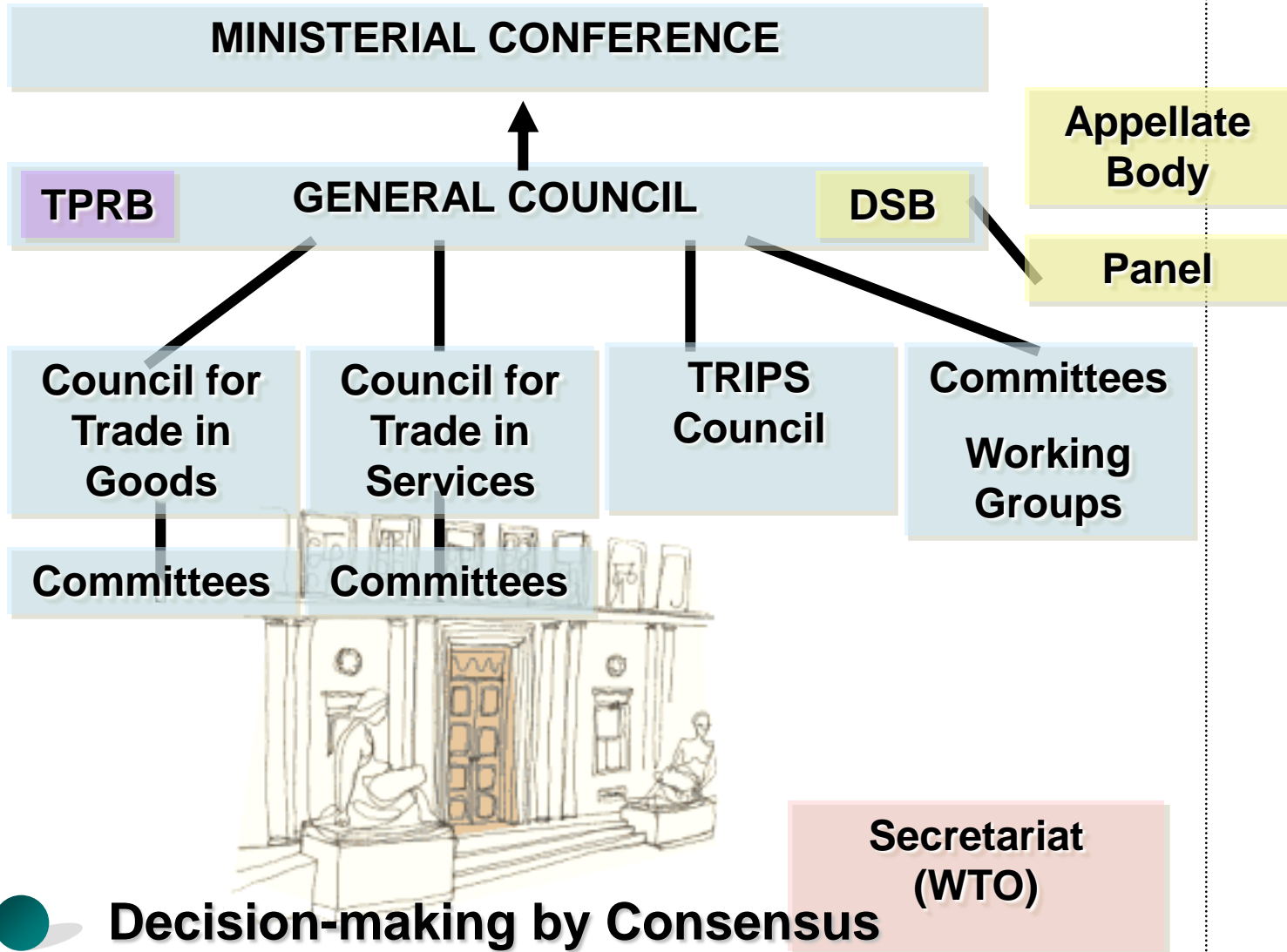
- **Agreement on Trade in Civil Aircraft**
- **Agreement on Government Procurement**
- **International Dairy Agreement**
- **International Bovine Meat Agreement**

Last two discontinued in 1997

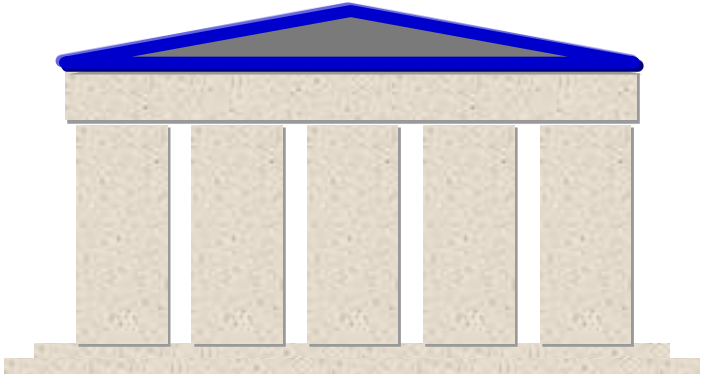
WTO: In Practice

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

WTO : Structure



● 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

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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

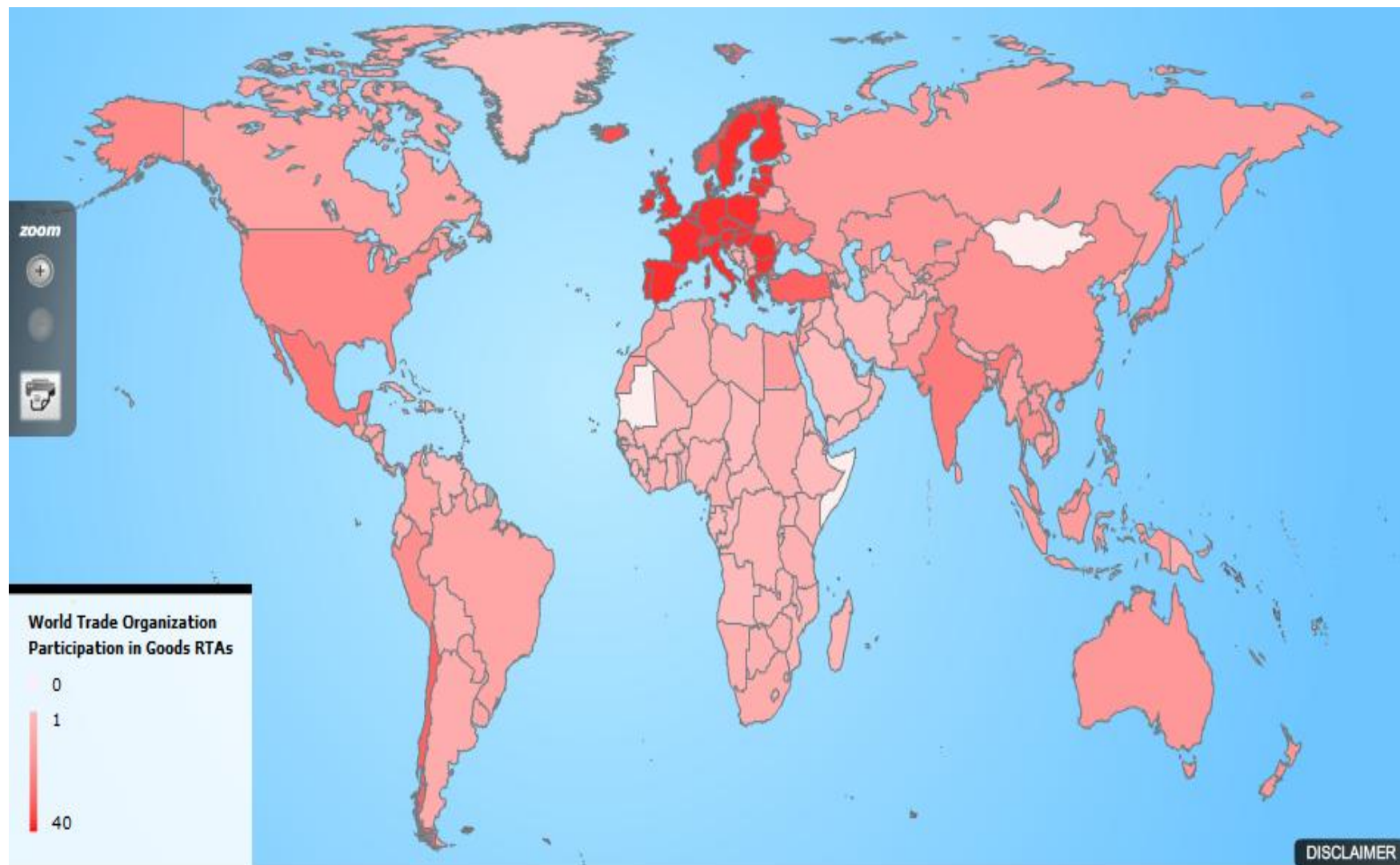
WTO : ALMOST 20 YEARS ..

- **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

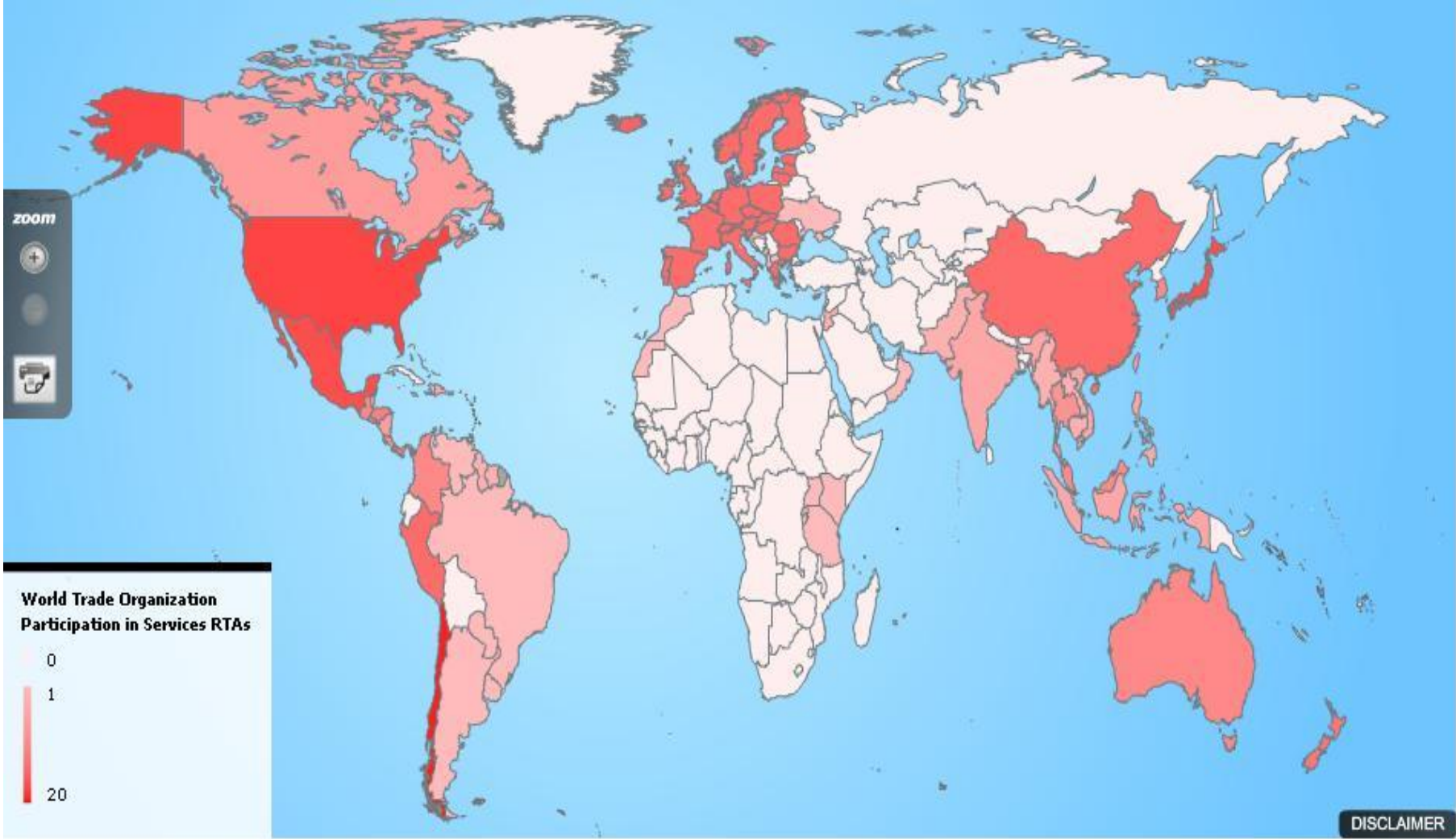
- Four fold jump in RTA/PTAs: Abt. 70 in force in 1990; 300+ by 2010
 - Intra PTA trade as % of world merchandise trade doubled (18% - 1990; 35% - 2010)
- Geographical distribution
 - Global rush to sign up (don't want to be left out)
 - RTAs or PTAs (regional or cross-regional)
- Actors/Parties to RTAs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

GOODS RTAS (NOTIFIED & IN FORCE TILL END 2012)



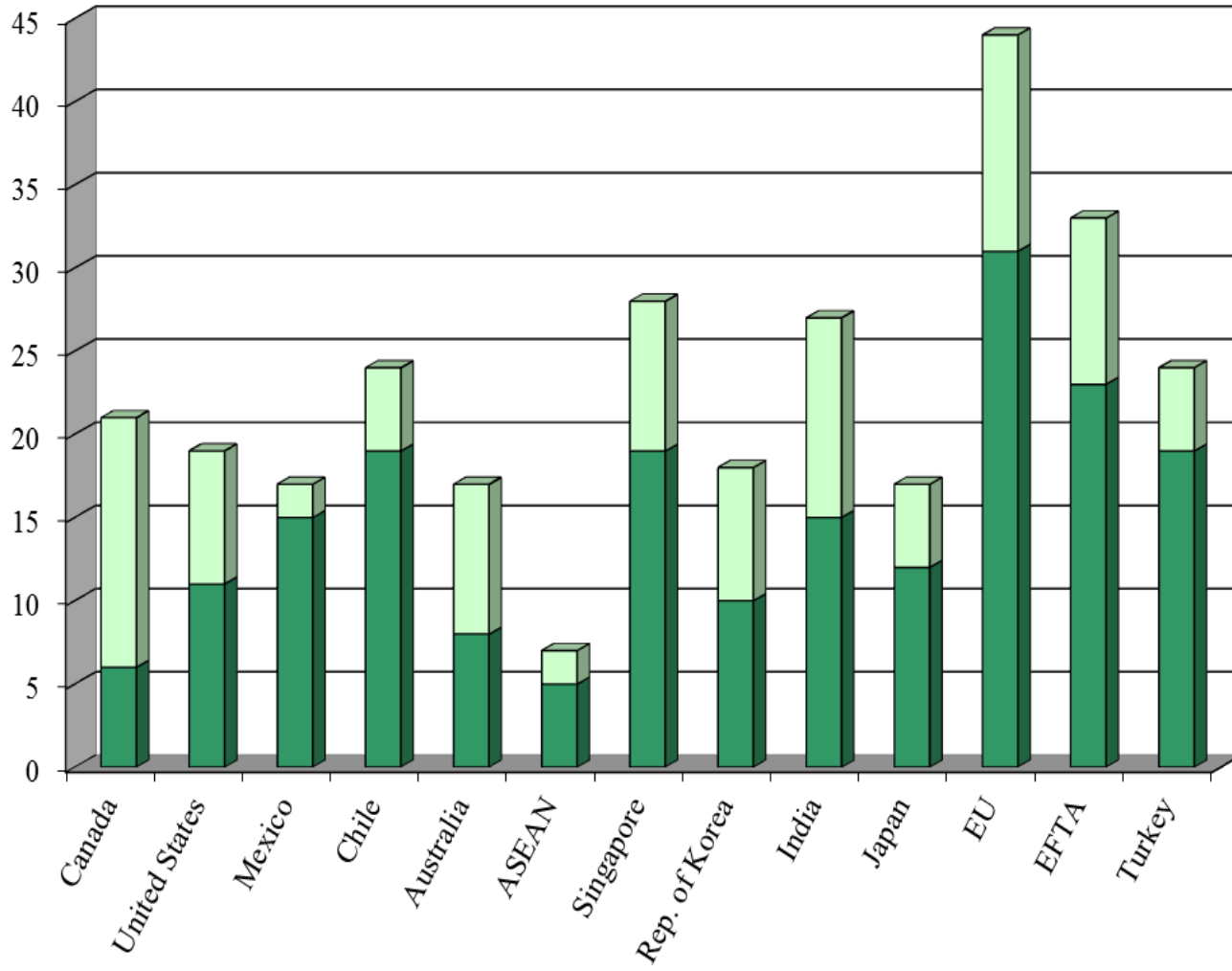
Source: WTO RTA Database, <http://rtais.wto.org>

SERVICES RTAS (NOTIFIED & IN FORCE TILL END 2012)



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

WHO ARE THE ACTIVE ONES..?



■ Forecast (RTAs currently under negotiation / signed)

■ RTAs notified and in force as of October 2011

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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