

Impact of W.T.O. on P.S.U.s

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Introduction

- ▶ WTO or the 'World Trade Organization' is an intergovernmental organization that is concerned with the regulation of international trade between nations. The WTO officially commenced on 1 January 1995 under the Marrakesh Agreement, signed by 123 nations on 15 April 1994, replacing the General Agreement on Tariffs and Trade (GATT), which commenced in 1948. It is the largest international economic organization in the world.
- ▶ India is its founding member and now this agency comprises 164 members.
- ▶ Its Headquarter is located at Geneva.

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- ▶ The World Trade Organization (WTO) is the only global international organization dealing with the rules of trade between nations. At its heart are the WTO agreements, negotiated and signed by the bulk of the world's trading nations and ratified in their parliaments. The goal is to ensure that trade flows as smoothly, predictably and freely as possible.
- ▶ The WTO agreements are lengthy and complex because they are legal texts covering a wide range of activities. They deal with: agriculture, textiles and clothing, banking, telecommunications, government purchases, industrial standards and product safety, food sanitation regulations, intellectual property, and much more. But a number of simple, fundamental principles run throughout all of these documents. These principles are the foundation of the multilateral trading system.

Basic Principles of Free Trade

- ▶ Trade without discrimination (Most-favoured-nation (MFN): treating other people equally and Treating foreigners and locals equally)
- ▶ Freer trade: gradually, through negotiation.
- ▶ Predictability: through binding and transparency.
- ▶ Promoting fair competition.
- ▶ Encouraging development and economic reform.

- ▶ Historically, protectionism has taught us about the damage that can be caused if narrow sectoral interests gain a disproportionate share of political influence. Restrictive policies turned into trade wars, which no one won and everyone lost.
- ▶ The WTO system helps governments take a more balanced view of trade policy. They are better-placed to defend themselves against lobbying from narrow interest groups by focusing on trade-offs that are made in the interests of everyone in the economy.
- ▶ Restricting imports can look like an effective way of supporting an economic sector. But it biases the economy against other sectors which shouldn't be penalized — for example, if you protect your agriculture, everyone else has to pay for more expensive food, which puts pressure on wages in all sectors.

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- ▶ The WTO system covers a wide range of sectors. If, during a negotiation, one pressure group lobbies its government and pleads to be considered as a special case needing protection, the government can deflect the pressure by arguing it needs a broad-ranging agreement that will benefit all sectors of the economy. Governments do just that, regularly.
- ▶ The rules include commitments not to backside into unwise policies. Protectionism in general is unwise because of the damage it causes domestically and internationally.
- ▶ Particular types of trade barriers cause additional damage because they provide opportunities for corruption and other forms of bad government.

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- ▶ One kind of trade barrier that the WTO's rules try to tackle is the quota — for example, restricting imports or exports to no more than a specific volume each year.
- ▶ Because quotas limit supply, they artificially raise prices, creating abnormally large profits for companies selling inside this quota (economists talk about “quota rent”). Such circumstances create serious market distortions and these extra profits can be used to influence policies because more money is available for lobbying. These conditions can also provide opportunities for corruption — for example, in the allocation of quotas among traders. That is unfortunately all too common around the world.

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- ▶ In other words, quotas are a particularly bad way of restricting trade. Governments have agreed through the WTO's rules that their use should be discouraged.
- ▶ Nevertheless, quotas of various types remain in use in most countries, and governments argue strongly that they are needed. But they are controlled by WTO agreements and there are commitments to reduce or eliminate many of them.
- ▶ The WTO administers the Understanding on Rules and Procedures Governing the Settlement of Disputes.
- ▶ The WTO also ensures Trade Policy Review Mechanism.

Actual Impacts

- ▶ Increasing competitiveness (Maharatan, Navratan and Mini Ratan).
- ▶ Selling out or privatization of PSUs.
- ▶ Socialistic to capitalistic approach.
- ▶ Increase in profit giving PSUs (from 105 in 1990 to 185 in 2017).
- ▶ Starting of Off-shore activities (like ONGC).
- ▶ Increase in area, production, relation and export (like-cotton and ICT).
- ▶ New thinking on intellectual property rights.
- ▶ Innovations and R and D activities.
- ▶ Joint ventures.