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World trade organisation: A conceptual study

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Abstract



One of the youngest of the international organizations, the WTO is the successor to the General Agreement on Tariffs and Trade (GATT) established in the wake of the Second World War. The system was developed through a series of trade negotiations, or rounds, held under GATT. The World Trade Organization came into being in 1995. The General Council delegates responsibilities to three major bodies- namely the council for trade in goods, trade in services, trade-related aspects of intellectual property. The structure of WTO is dominated by its highest authority, the Ministerial Conference, composed of representative of all WTO members, which is required to meet at least every two years and which can make decision on all matters. The WTO Secretariat is located in Geneva. The WTO is specialized agency and would address not only trade barriers but other issue indirectly related to trade, including employment, investment, restrictive business practices, and commodity agreements. WTO's current Director-General is Roberto Azevedo, who leads a staff of over 600 people in Geneva, Switzerland. The total member of the WTO is 159. India is one of the founder members of WTO. WTO is receiving the deepest indulgence of everyone, as it is affecting the major sector of Indian Economy and agriculture in particular now and more intensively in coming years.

This paper includes Objectives and Functions of WTO, Council for Trade in Goods, Council for Trade in Services, Council for Trade-Related aspects of Intellectual Property Rights (TRIPS), Dispute Settlement, Trade Related Investment Measures (TRIMS), Organizational structure of WTO and WTO and India.

Keywords: Trade Negotiation, Trade Barrier, Ministerial Conference

Introduction

Location: Geneva, Switzerland

Established: 1 January 1995

Created by: Uruguay Round negotiations (1986-94)

Current Head: Director-General Roberto Azevedo of Brazil

Objectives of WTO

Important objective of WTO are:

1. To implement the new world trade system as visualized in the agreement.
2. To promote world trade in a manner that benefits every country.
3. To expand and utilize world resource to the best.
4. To improve the level of living for the global population and speed up economic development of the member nations.

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5. To demolish all hurdles to an open world trading system.
6. To enhance competitiveness among all trading partner so as to benefit consumer and help in global integration.
7. To increase production with view to increase the level of employment.

Functions of WTO

- Administering trade agreements
- Acting as a forum for trade negotiations
- Settling trade disputes
- Reviewing national trade policies
- Assisting developing countries in trade policy issues, through technical assistance and training programmes
- Cooperating with other international organizations
- Co-operating with IMF and World Bank and its associates for establishing coordination of Global Trade Policy- Making.
- Acting as forum for trade liberalization.

Council for Trade in Goods

Since 1995, the updated GATT has become the WTO's umbrella agreement for trade in goods. It has annexes dealing with specific sectors such as agriculture and textiles, and with specific issues such as state trading, product standards, subsidies and actions taken against dumping. There are 11 committees under the jurisdiction of the goods councils each with a specific task. All members of the WTO participate in the committees. Trade in Agriculture includes Reduction in Domestic Subsidies, Reduction in Export Subsidies, Improvement in Market Access, Public Distribution System. Trade in Textile and Clothing includes Elimination of MFA (Multi-Fibre Arrangement), Reduction in Tariff on Textile and Clothing.

Council for Trade in Services

These principles appear in the new General Agreement on Trade in Services (GATS). WTO members have also made individual commitments under GATS stating which of their services sectors they are willing to open to foreign competition, and how open those markets are. The basic WTO principle of most favoured nation (MFN) applies to GATS as well. However, upon accession, members may introduce temporary exemption to this rule. The agreement covers trade in all type services like insurance, travel tourism, hotel, banking, shipping, telecommunication, business outsourcing (call centres), IT- enabled service, media services etc. By allowing free entry to foreign services, advanced technology of the foreign services sector will be available of developing countries.

Council for Trade-Related aspects of Intellectual Property Rights

The WTO's Intellectual Property Agreement amounts to rules for trade and investment in ideas and creativity. The rules state how copyrights, patents, trademarks,

geographical names used to identify products, industrial designs, integrated circuit layout-designs and undisclosed information such as trade secrets – “intellectual property” – should be protected when trade is involved. The Intellectual Property which is patented can be used by the manufacture/consumers by paying of royalty of patent-holders.

Under TRIPs life of patents has been fixed as follows:

General Patents – 20 years

Copyright – 50 years

Trademarks – 7 years

Industrial Designs – 10 years

Medicines – 10 years

Dispute Settlement

The WTO's procedure for resolving trade quarrels under the Dispute Settlement Understanding is vital for enforcing the rules and therefore for ensuring that trade flows smoothly. Countries bring disputes to the WTO if they think their rights under the agreements are being infringed. Judgments by specially-appointed independent experts are based on interpretations of the agreements and individual countries' commitments. The operation of the WTO dispute settlement process involves the DSB panels, the Appellate Body, the WTO Secretariat, arbitrators, independent experts and several specialized institutions. Bodies involved in the dispute settlement process, World Trade Organization.

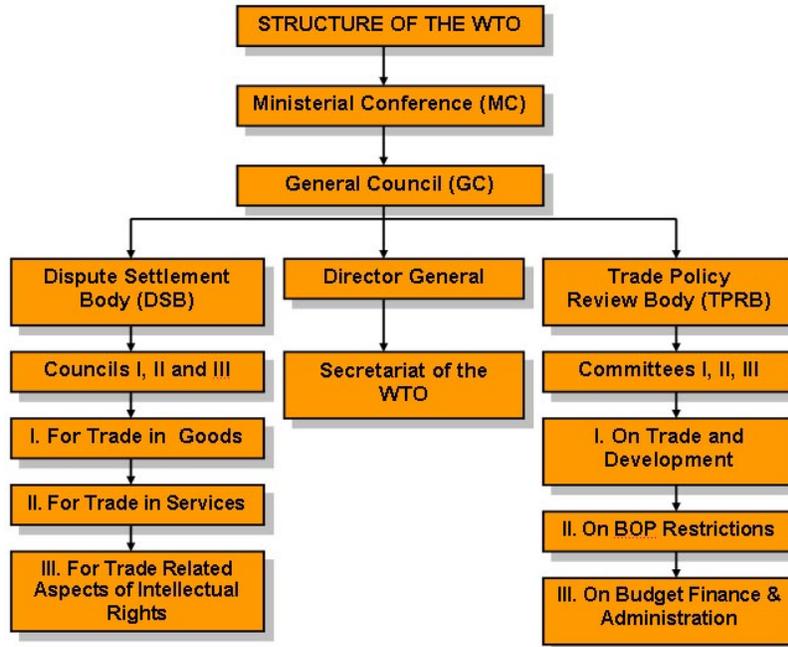
Trade Related Investment Measures (TRIMs)

The Agreement on Trade Related Investment Measures (TRIMs) are rules that apply to the domestic regulations a country applies to foreign investors, often as part of an industrial policy. The agreement was agreed upon by all members of the World Trade Organization. TRIMs are rules that restrict preference of domestic firms and thereby enable international firms to operate.

TRIMs offer fair treatment and all such facilities to all foreign investors as are available to their domestic investors. TRIMs remove restriction on repatriations of dividend, interest and royalty by multinational companies.

Structure of the WTO

The structure of WTO is dominated by its highest authority, the Ministerial Conference, composed of representative of all WTO members, which is required to meet at least every two years and which can make decision on all matters. The General Council delegates responsibilities to three major bodies- namely the council for trade in goods, trade in services, trade-related aspects of intellectual property. General Council a permanent organ of WTO works under the policy framework of ministerial conference. General Council is assisted by Dispute Settlements Body (DSB) and Trade Policy Review Body (TPRB). Under, General Council various Councils/Working Groups works. The WTO Secretariat is located in Geneva in Switzerland.



WTO and India

India is one of the founder members of WTO. WTO is receiving the deepest indulgence of everyone, as it is affecting the major sector of Indian Economy and agriculture in particular now, and more intensively in coming years. WTO has both favorable and non-favorable impact on Indian economy.

Advantages of WTO

1. Increase in foreign trade
2. Increase in agriculture exports
3. Increase in inflow of foreign investment
4. Improvement in services
5. Inflow of better technology and better quality product
6. Restricts dumping
7. Benefits of multilateral trade agreements
8. Benefits for clothing and textile industry

Disadvantages of WTO

1. Disadvantages to agriculture sector
2. Loss to domestic industries
3. Effect on prices of products
4. Increase in unemployment
5. Loss to service sector
6. Loss to regional groupings
7. Issue of social cost, environment cost and labour cost
8. Patent of Indian herbs by foreign companies.

Findings and Conclusion

The WTO would like you to believe that creating a world of “free trade” will promote global understanding and peace. WTO is a powerful body that will enact international laws on various matters. It will also globalize many countries and help them to develop their competitive advantages seek benefit from advanced technology of other countries. WTO helps in promote peace, free trade cuts the cost of living, more choice of goods and services and economic growth is possible because of WTO.

On the contrary, the domination of international trade by rich countries for the benefit of their individual interest. The

basic principle of WTO is extremely good, but the developed countries are trying to suit only the needs. India needs to devise appropriate domestic policies to improve efficiency and competitiveness of domestic product. It should continue to play leadership role in negotiating agreements with sound analytical basis and support of other countries with similar interest. Export of high value product, horticulture products, processed products, marine products and rice should be promoted.

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