

## Chapter 18

### TRADE

**18.1 International Trade & WTO:** The World Trade Organization (WTO) came into being in 1995. 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 first rounds dealt mainly with tariff reductions but later negotiations included other areas such as anti-dumping (Kennedy Round) and non-tariff measures (Tokyo Round). The last round — the 1986-94 Uruguay Round (biggest negotiating mandate on trade ever agreed: extending the trading system into several new areas including trade in services and intellectual property, and to reform trade in the sensitive sectors of agriculture and textiles) — led to the WTO's creation. The GATT was the only multilateral instrument governing international trade from 1946 until the WTO was established on 1 January 1995, during the ministerial meeting at Marrakesh, Morocco, and hence is known as the Marrakesh Agreement.

**18.2** Ministerial Conferences are the highest level of engagement at the WTO. Amongst various negotiations, the Doha Development Round, at the fourth ministerial conference in Doha, Qatar in November 2001 has been highly contentious with ensuing disagreements over several key areas including agriculture subsidies. Doha Development Round was to be an ambitious effort to make globalization more inclusive and help the world's poor, particularly by slashing barriers and subsidies in farming.

**18.3** Trade policy and World Trade Organization negotiations: The Tenth Ministerial Conference of the World Trade Organization (WTO) was held in Nairobi, Kenya, from 15 to 19 December 2015. The outcomes of the conference, referred to as the 'Nairobi Package' include Ministerial Decisions on agriculture, cotton and issues related to Least Developed Countries (LDCs). These cover public stockholding for food security purposes, a Special Safeguard Mechanism (SSM) for developing countries, a commitment to abolish export subsidies for farm exports, particularly from the developed countries, and measures related to cotton. Decisions were also taken regarding preferential treatment to LDCs in the area of services and the criteria for determining whether exports from LDCs may benefit from trade preferences. As regards the future of the Doha Round of trade negotiations, the Nairobi Ministerial Declaration reflects divergence amongst the WTO membership on the relevance of reaffirming the Doha mandate as the basis of future negotiations. With the process of multilateral negotiations being slow, mega regional trading agreements like the Trans-Pacific Partnership have emerged. This has implications in the long run for many emerging countries, as the dominant interests and emphasis of its current membership may not be aligned with the requirements of emerging markets like India. WTO members have agreed that the WTO's Eleventh Ministerial Conference (MC11) will take place from 11 to 14 December 2017 in Buenos Aires, Argentina.

#### 18.4 Terms & Definitions:

- **Balance of Trade:** It is the difference between a country's imports and its exports. Balance of trade is the largest component of a country's balance of payments. A country has a trade deficit if it imports more than it exports; the opposite scenario is a trade surplus.
- **Unit Value Price Index:** A unit value import/ export index is an index, which measures the change in the average cost of imported and exported goods. The unit value index allows us to

identify those categories of goods, which are primarily responsible for the overall increase in the cost of total imports/exports into the economy. Unit values are subject to the effect of changes over time in quality, product mix and markets or sources of supply for a commodity item in addition to pure price changes.

- **Quantum Index:** It is calculated by dividing the Export/Import Value by the Unit Price Index (with the base year as 100). The Quantum Index is considered to represent the integrated trading volume by taking the weighted average of indexes of traded items.

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#### **Sources & References:**

1. World Trade Organisation
2. DGCIS, Kolkata
3. DGFT, Ministry of Commerce and Industry