

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA – SEMESTER 3 – EXAMINATION – WINTER 2016

Subject Code: 2830013**Date: 02/01/2016**

Subject Name: WTO Multilateral Trading System and its Impact on Business
(WMTS-I)

Time: 02.30 pm TO 05.30 pm**Total Marks: 70****Instructions:**

1. Attempt all questions.
2. Make suitable assumptions wherever necessary.
3. Figures to the right indicate full marks.

Q.1(a)

6

The headquarters of WTO are at

1. A. London B. New York
C. Geneva D. Paris

TRIMs deal with

2. A. Services B. Investment measures
C. Agriculture D. Intellectual Property rights

The top most decision making body of the WTO is

3. A. General Council B. Disputes Settlement body
C. Trade policy review D. Ministerial Conference
body

GATT only placed emphasis on trade in

4. A. Goods B. Services
C. Textiles D. Agriculture

MFN means

5. A. No trade with others B. Treat only one country as most favored
C. Trade with a few D. Treat all nations as "most-favored" trading
only partners

SPS stands for

6. A. Sanitation and B. Sanitary and Phytosanitary measures
public health
systems
C. Secretariat for Plant D. None of the above
Species

Q.1**(b) Explain the following terms:****04**

1. Countervailing duties (CVDs)
2. Generalized System of Preferences (GSPs)
3. GATS
4. ACP

Q.1**(c) How does WTO safeguard a nation's Intellectual Property rights?****04****Q.2****(a) What is GATT? Was GATT a failure or a success? Why did the world make a transition from GATT to WTO?****07****(b) How can a country benefit from become a member of WTO?****07****OR**

- (b) How has India's trade performed since the advent of WTO in 1995? **07**
- Q.3** (a) What are tariff and non-tariff barriers? Which are the various types of tariff and non-tariff barriers? Explain in detail. **07**
- (b) If two member countries of WTO encounter a trade related dispute, what will be the procedure adopted by WTO to settle the dispute? **07**
- OR**
- Q.3** (a) How does WTO address the issues of subsidies and countervailing measures? **07**
- (b) Governments usually give three reasons for supporting and protecting their farmers, even if this distorts agricultural trade: **07**
- to make sure that enough food is produced to meet the country's needs
 - to shield farmers from the effects of the weather and swings in world prices
 - To preserve rural society.
- Comment on whether such a stand by governments would prove beneficial or harmful to the agriculture sector in that country.
- Q.4** (a) What does the Technical Barriers to Trade Agreement aim to achieve, and how? **07**
- (b) What kind of export incentives should be given to the textiles sector, such that it does not violate WTO rules and at the same time, help boost trade in textiles? **07**
- OR**
- Q.4** (a) What are 'Green Room Meetings' in the context of WTO? **07**
- (b) Comment on the Doha Development round. Has it been a success or a failure? Why does the future of the Doha round remain uncertain? **07**

Q.5 **U.S. Beats India In WTO Solar Case: Indian Consumers Win** **14**

This is a lovely little example of why trade rules are as they are. The United States filed a complaint against India about the local content rules for solar panels and modules. The WTO announced that the U.S. won their case. And thus we come to the basic point about trade itself: What makes us richer is not the exports, nor the limitation of imports; it is the imports themselves that make us richer. Thus this lifting of those local content rules and the opening once again of the Indian market to U.S. producers is something that makes Indians themselves richer. That we have to have rules about this just shows how badly public policy over trade gets captured by the local producer interests. Because in a rational and unbiased polity of course we would have no restrictions upon imports at all. Why would we, if imports are the thing which make us richer?

The news itself:

The United States won a ruling against India at the World Trade Organization on Wednesday after challenging the rules on the origin of solar cells and solar modules used in India's national solar power program. In more detail:

In a setback to India, a World Trade Organization (WTO) dispute settlement panel has ruled in favor of the US in its challenge to New Delhi's alleged discrimination against US solar exports, according to the US Trade Representative (USTR).

The panel agreed with the US that India's 'localization' rules discriminated against imported solar cells and modules under India's National Solar Mission, according to an official news release citing USTR Michael Froman.

It's not a setback to India at all, this is to India's benefit.

India, whose solar industry has grown rapidly in the past few years as the government looks to ease reliance on imported fossil fuels and coal, has previously defended its policies.

But in its ruling, the WTO panel rejected India's arguments that the policy was needed to avoid disruption in imports and to ensure compliance with the country's requirements to promote sustainable development.

So, to start at the beginning. The aim and purpose of anyone buying solar panels, solar modules, is so that they can produce solar energy, electricity.

Obviously, the people who want to produce electricity are better off the cheaper those panels and modules are. It doesn't matter who makes them or where; the cheaper they are, the better. Why would India have local content rules? Because they know that locally-produced panels and modules are more expensive than foreign-produced ones. That's the only possible reason you could try to insist upon local content rules. Simply because you fear that without such restrictions the local suppliers would go bust as everyone buys the imports.

But look at what that means: Local capitalists are, by law, getting rich at the expense of local consumers. We are deliberately changing the law to make sure that the owners of local panel manufacturers make more money at the expense of all the consumers who buy the electricity. And of course those local capitalists are very, very, interested in making sure that there are those barriers to the cheap imports. While the consumers...well, most of them won't think about it very much and so won't be lobbying the politicians. Thus the basic explanation of why we do end up with import restrictions, simply because of the concentrated interest of those who benefit and the diffuse interest of those who end up losing. That's just how politics works. And thus what we have written into the WTO rules. Everyone's aware that this is how it works. So, we have trade rules that mean, whatever those local political pressures, there's a system to make sure that they don't win. That, in the end, the consumer interest does win out, however long it might take to run a case through the WTO.

Remember, it is the imports that make us all richer. So a logical system would be one where there are no restrictions upon imports. Politics doesn't quite work that way, which is why we write trade treaties so that logic and the consumer interest can win out over producers and local politics.

- 1. Do you agree or disagree with the WTO ruling? Justify your answer.**
- 2. Should there be development at the cost of domestic industries? Or does an open market lead to the benefit of the domestic industries too?**

OR

Q.5

Measures to Enhance Trade in Healthcare Services

14

Increasing trade in healthcare services is beneficial to both exporting and importing countries. A number of conditions are attached to success; however, the market is competitive. There is a need to assess the resources and design trade promotion strategies that have both domestic and international dimensions. India is relatively competitive in offering health services. However, appropriate strategies are not yet designed to promote healthcare services. There is a need for assessing and fixing the fundamentals, including the regulation of the health sector. A country cannot compete in health services market if its domestic health system is dysfunctional. With a view to determine whether a country could enter and

contest in the world health services market is the assessment of its strengths and weaknesses and eventually the design of policies to exploit the strengths and remedy the weaknesses. This can be done by SWOT analysis ((strength, weaknesses, opportunities and threats).

The SWOT analysis for India reveals that it has a competitive edge in terms of skilled doctors and trained nurses. In terms of international prices, the service costs are cheaper. Availability of quality treatment is on a par with international standards. The reputation of doctors is good due to education and training acquired in foreign countries. The nursing standards are well appreciated by foreign patients. The geographical and cultural (including language) aspects are highly favorable. Many hospitals and clinics have adopted international management and hygiene standards (ISO certified clinics). The size of the hospitals is relatively big with 200–350 beds. The private sector hospitals are better in terms of quality and practices. Advantages indicate that Indian doctors are skilled in diagnosis and treatment jobs, particularly in surgery. There is demand for Indian doctors in the US and West Asian countries.

The quality remains the main driver of trade in the health sector: entry cost on the health services market is very high in terms of education, training and equipment. And, what works in favor of India is the presence of traditionally well- trained medical personnel, especially doctors. However, the number of paramedical personnel is low. Required investments in infrastructure and technology are also important. Improving domestic regulation and removing unnecessary obstacles to trade are critical. A strict regulation of health sector is needed to avoid malpractices and encourage choice of most efficient providers. In a highly competitive global market, it is not enough to fix the fundamentals, including the regulatory framework to become an exporter of health services. Trade promotion strategy is essential to gain market share abroad. In this strategy, even though the private sector’s role is critical, the government has a major role to play. The export strategy should be based on “niches and market prospects”. A country should select a proper mode for trade in health services. For example, targeting the French market for medical treatment has no use because it is fully covered by health insurance; on the contrary, targeting the UK market for medical procedures may be rewarding because of the delay in treatment. The knowledge of foreign markets, including healthcare needs (age structure of the population), medical supply (medical personnel density and shortages), health insurance coverage gaps, is essential to design efficient export promotion strategies. On cost of service ground, the US will remain a major market for India. A good knowledge of global supply, particularly competition from other countries is required. Innovation is important for success, it could take the form of developing new technologies, medical procedures and packaging health services differently (e.g., offer of health tourism packages, airport pick-up services, translation services and facilitated billing).

- 1. Looking at the current scenario, how do you see the trade in healthcare services for India in the future?**
- 2. What changes can be made to the Indian healthcare sector to emerge as a strong exporter of healthcare services?**
