


















































































PILLAR #3B: BRETTON WOODS ORGANIZATIONS

TABLE OF CONTENTS

32	  	Pillar #3B: Bretton Woods Organizations.....	415
32.1	  	Bretton Woods → 1) World Bank, Washington, 1945, Jul.....	415
32.1.1	  	World Bank President?.....	416
32.2	  	(Non-Bretton Woods) → Multilateral Development Banks.....	416
32.2.1		BRICS Bank and AIIB.....	417
32.2.2	  	Multilateral Development Banks → Others.....	417
32.3	  	Bretton Woods → 2) IMF, Washington, 1945, Dec.....	418
32.3.1	   	IMF gives loan to Pakistan (2019).....	419
32.4	 	Theories of International Trade	420
32.4.1		Mercantilist Theory: व्यापारी सिद्धांत	420
32.4.2		Adam Smith's Theory of Absolute Cost Advantage (1776).....	420
32.4.3		David Ricardo's Theory of Comparative/Relative Cost Advantage (1817)	420
32.4.4		Heckscher and Ohlin's Factor - Proportions Theory (1919).....	421
32.5	  	Bretton Woods → 3) GATT → WTO (Geneva)	421
33	  	World Trade Organization: विश्व व्यापार संगठन.....	421
33.1	  	WTO → functions (जिम्मेदारियां या कार्य)	422
33.1.1	  	Tariff Barriers against international trade	422
33.1.2	  	Non-Tariff Barriers against international trade.....	422
33.2	   	WTO Disputes involving India vs USA	423
33.2.1	    	India's Solar procurement preference	423
33.2.2	    	Ban on American Poultry	423
33.2.3	    	India's export incentive schemes	423
33.2.4	    	WTO's Appellate Body (AB) Crisis.....	424
33.2.5	    	WTO Multiparty Interim Arbitration (MPIA) mechanism	424
33.3	   	WTO → Notable Agreements	424
33.4	   	WTO negotiations / summits / packages.....	426
33.4.1	 	Most Favoured Nation (MFN)- अत्याधिक वरीयता वाले देश.....	426
33.4.2	 	Least Developed Countries (LDC: सबसे से कम विकसित देश)	426
33.4.3	 	Doha Development Round (Qatar 2001)	427
33.4.4	  	Food subsidies & peace clause: खाद्य रियायतें और शान्ति अनुच्छेद/उपधारा	427
33.4.5	  	Food subsidies: Cairns Group	428
33.4.6	 	Bali Package & Trade Facilitation Agreement / TFA (2013).....	428
33.4.7	 	Nairobi Package & SSM (2015).....	429



33.4.8		Buenos Aires Summit #flop (2017)	429
33.4.9		Kazakhstan Summit #cancelled (2020-June)	429
33.5		Trade Agreements Types: व्यापार समझौते के प्रकार	430
33.6		Free Trade agreements → TPP, TPP11, TATIP, RCEP	431
33.6.1		Trans Pacific Partnership (TPP: ट्रांस पैसिफिक साझेदारी) #FAIL	431
33.6.2		TPP-11 or CPTPP	431
33.6.3		Transatlantic Trade and Investment Pact (TTIP)	431
33.7		Regional Comprehensive Economic Partnership (RCEP)	432
33.7.1		Introduction to RCEP ()	432
33.7.2		RCEP: Why didn't India join in 2019-Nov?.....	432
33.7.3		RCEP: Counterview: India made a mistake by not joining.....	433
33.7.4		RCEP: Conclusion? (निष्कर्ष)	433
33.7.5		Economic survey 2015-16: Observations abt India's Trade Agreements.....	434
33.7.6		ES20: Observations abt India's Trade Agreements (आर्थिक सर्वेक्षण).....	434
33.7.7		Budget-2020: FTA 'rules of origin' (उत्पत्ति के नियम)	434
33.7.8		Commerce Ministry: Certificate of Origin (उद्गम प्रमाण पत्र)	435
33.7.9		Trade agreements losing shine → NAFTA & SAFTA.....	435
33.8		India's trade agreements.....	435
33.9		Burning issues in International trade	436
33.9.1		Protectionism, Trade war: संरक्षणवाद, व्यापार युद्ध.....	436
33.9.2		Protectionism → Medicine and Defence	436
33.9.3		Protectionism → Indian Govt procurement (सरकारी खरीद).....	436
33.9.4		USA's Special 301 report.....	437
33.9.5		USA's Generalized System of Preferences (GSP) list.....	437
33.9.6		USA Reciprocal Trade Bill/Act (पारस्परिक व्यापार विधेयक / अधिनियम)	437
33.9.7		India-USA limited trade deal (सीमित व्यापार सौदा)	438
33.9.8		How does US/EU/China trade war impact India?	438
33.9.9		BREXIT = BRITAIN EXIT	439
34		Other Notable Groupings related to economy.....	440
34.1		Groupings: Indian subcontinent	440
34.1.1		Mekong- Ganga Cooperation (2000)	441
34.2		Groupings: ASEAN vs SCO	441
34.2.1		Afghanistan 6+2+1 group for redevelopment of Afghanistan.....	442
34.3		Groupings: Ocean-rim walla	442
34.4		Groupings: BRICS, OECD, OPEC, G20 & JAI.....	442



34.5	G20: Osaka Declaration.....	444
34.5.1	Osaka declaration: why India refused to sign	444
34.5.2	Conclusion (निष्कर्ष).....	445
34.6	Groupings led by Gora → G7 and D10.....	445
34.6.1	G7 - Group of Seven (1975).....	445
34.6.2	D10: 5G club proposed by UK (2020).....	445
34.7	Groupings: GCC vs OIC	446
34.7.1	Kuwait Expat Bill (प्रवासी/विदेशी मजदूरों की संख्या का विधेयक).....	446
34.7.2	Abraham Accords (2020-Sept).....	446
34.8	Misc groupings / org → World Economic Forum (1971)	446
34.9	Misc groupings / organizations Others	447
34.10	Export control / Non-Proliferation regimes.....	447
34.10.1	USA Exit from Arms Treaties.....	447
34.10.2	Mock Questions for Mains GSM2 (Intl. Org Related to Economy)	448

32 PILLAR #3B: BRETTON WOODS ORGANIZATIONS

- ⇒ Conference was held in Bretton Woods town, New Hampshire in USA after the WW2 (1939-45) to restore the global economy. (सम्मेलन से तीन अंतरराष्ट्रीय संस्थानों का जन्म)
- ⇒ Total 44 nations participated, incl. India. It proposed 3 international institutions:

Outcome	Relationship with United Nations (UN)
⇒ International Bank for Reconstruction and Development (IBRD), commonly known as World Bank.	These two are considered “Specialized Agencies of UN (संयुक्त राष्ट्र की विशिष्ट एजेंसियां)”
⇒ International Monetary Fund (IMF).	
⇒ (Proposed) International Trade Organization (ITO). But could not materialize due to American opposition. Instead, nations later setup GATT → WTO	WTO is considered “Related organization of UN (संबंधित संगठन)” because it doesn’t fulfil all requirements of UN charter on specialized agencies

32.1 BRETTON WOODS → 1) WORLD BANK, WASHINGTON, 1945, JUL

- ⇒ विश्व बैंक originally focused on reconstructing war-torn European countries. After 50s focusing on poor countries of Asia and Africa.
- ⇒ **World Bank** = IBRD + IDA.
- ⇒ **World Bank Group** = comprises of 5 institutions, namely



1) <i>International Bank for Reconstruction and Development (IBRD)</i> अंतरराष्ट्रीय पुनर्निर्माण और विकास बैंक	Gives development loans with interest.
2) <i>International Development Association (IDA)</i> अंतरराष्ट्रीय विकास संघ	Assists the poorest countries via interest-free long-term loans (= “Concessional Loans: रियायती ऋण” or “soft loans”).
3) <i>International Finance Corporation (IFC)</i> अंतरराष्ट्रीय वित्त निगम	supports enterprise of developing countries. Known for its Masala Bonds.
4) <i>Multilateral Investment Guarantee Agency (MIGA)</i> बहुपक्षीय निवेश प्रत्याभूति एजेंसी	offers (foreign) investors insurance against non-commercial risk (such as political instability, regime change etc.). This helps 3rd world nations attract foreign investment.
5) <i>International Centre for the Settlement of Investment Disputes (ICSID)</i> निवेश संबंधी विवादों के निपटान का अंतरराष्ट्रीय केन्द्र	Helps in dispute resolution related to foreign investment / foreign companies in 3rd world countries. India is not a member of this organization.

Voting power?


⇒ In the first four organizations, voting power depends on the share capital provided by a country. USA highest, followed by various European giants.


⇒ 5th is “dispute settlement” body, so concept of ‘each country’s voting power’ does not apply

32.1.1 World Bank President?

⇒ Since USA and European powers collectively command large shareholding in World Bank & IMF, so their informal arrangement is- USA’s favorite will be picked as World Bank chief, while European countries’ favorite will be picked as IMF Chief.

⇒ 2017: Jim Yong Kim (USA) got 5 yrs tenure, but resigned in 2019. New Chief : **David Malpass** (USA). || 2019: SBI Managing Director **Anshula Kant** has been appointed as the **Managing Director and Chief Financial Officer** of the World bank

⇒  **World Bank is known for Reports?** World Development Report, Ease of doing business Index, Remittance & Migration Report, Global Economic Prospects report 2019 titled “Darkening Skies”.


 **Controversy?** (2019) Trump demanded World bank should stop loaning to China because China has ‘lots of money’. World Bank clarified, “As countries grow richer, we reduce loaning to them, and the same is being done with China.” (अमीर देशों को हम कम कर्ज देंगे चीन के साथ भी वही व्यवहार होगा)

32.2 (NON-BRETTON WOODS) → MULTILATERAL DEVELOPMENT BANKS

A multilateral development bank (MDB: बहुपक्षीय विकास बैंक) is an institution, created by a group of countries, that provides financing and professional advising for the purpose of development. Apart from World bank, the other notable examples are →



32.2.1 BRICS Bank and AIIB

	BRICS Bank: New Development Bank (NDB) नई विकास बैंक	AIIB: Asian Infrastructure Investment Bank एशियाई अवसंरचना निवेश बैंक
Started in	6th BRICS Summit in Fortaleza (2014) members signed treaty	2015-16
Members	Brazil, Russia, India, China South Africa	China, India, UK, Switzerland, >100 nations as of 2020.
Voting power	Each member is given equal 20% voting power. As per the original agreement: All member countries of the United Nations can become members of the bank, but BRICS nations' voting power can never be less than 55%.	⇒ Based on share capital provided. ⇒ Asian countries control about 75% voting. ⇒ China largest ~27%, India second largest shareholding~7%. ⇒ India is the largest borrower.
HQ	Shanghai, China	Beijing, China
 Corona loan2India	\$1 billion. (2020-Apr)	\$750 million (2020-June)

- BRICS member have also setup \$100 billion BRICS Contingent Reserve Arrangement: (आकस्मिक रिजर्व व्यवस्था) to help members during BoP crisis- similar to IMF.
- BRICS nations also planning to setup their BRICS payment system parallel to SWIFT (ref: Pill1: NPA handout), and BRICS rating agency (ref: 1C: SEBI-Share Market)

MCQ. Find correct statement(s) about AIIB: (UPSC-Prelims-2020)

1. AIIB has more than 80 member nations.
2. India is the largest shareholder in AIIB.
3. AIIB does not have any members from outside Asia.

Codes: (a) 1 only (b) 2 and 3 only (c) 1 and 3 only (d) 1, 2 and 3 only

MCQ. Which one of the following countries is not a founding member of the New Development Bank?

(CDS2019-II) (a) Brazil (b) Canada (c) Russia (d) India

MCQ. Find correct statement(s): (Asked in UPSC-Pre-2016)

1. New Development Bank has been set up by APEC.
2. The headquarters of New Development Bank is in Shanghai.

Answer Codes: (a) 1 only (b) 2 only (c) Both 1 and 2 (d) Neither 1 nor 2

32.2.2 Multilateral Development Banks → Others

BIS: Bank for International Settlements अंतरराष्ट्रीय निपटान के लिए बैंक	⇒ 1930: setup in BASEL, Switzerland. ⇒ Made up of 60 countries' Central Banks. Its committee on banking supervision set norms in 1988 (I), 2004 (II), 2011(III) to ensure global financial stability.(Ref: Pill1:NPA handout).
African Development Bank	⇒ 1964: setup in Abidjan in Ivory Coast ⇒ India is a member, also gets loans.



Asian Development Bank (ADB) एशियन विकास बैंक	⇒ 1966: setup in Manila, Philippines ⇒ India is a member, also gets loans. ⇒ 📌🌐 Corona loan2India \$1.5 billion (2020-Apr) then more loans for various projects but 🌐🏠🌐🎓👤
European Bank for Reconstruction & Development (EBRD) पुनर्निर्माण और विकास के लिए यूरोपीय बैंक	⇒ 1991: setup at London. ⇒ India became member (shareholder) in 2018. India will not be eligible for loans from EBRD but India can initiate joint loan proposals for Asian, African, European nations for its soft-diplomacy. (usually India does it for winning poor nations friendship. so they vote in favour of India during Kashmir-Arunanchal etc resolutions in UN General Assembly)
IDEAS भारत द्वारा विकासशील देशों को विकास और आर्थिक सहायता के लिए कर्ज में पैसा देना। आत्मनिर्भर भारत में नई शर्त की लाभार्थी देश ने कर्ज की रकम के तीन चौथाई हिस्से में से भारत से ही वस्तु और सेवा खरीदनी होगी	⇒ 2005: Indian Development and Economic Assistance Scheme (IDEAS) to give loans to Developing countries. Ministry of External Affairs selects the loan-projects → FinMin's Dept of Economic Affairs will release the loan ₹ to the recipient country. ⇒ 🏠🌐 Atma-Nirbhar 3.0 = EXIM Bank to give loans to [Lines of Credit (LOC)] to developing nations under IDEAS scheme. ⇒ These loans will be given Road-Railways, power, auto components, sugar projects. WITH the condition that the borrower nation must use a minimum 75% of the loan amount for importing goods and services from India.

32.3 🌐📌🏠 BRETTON WOODS → 2) IMF, WASHINGTON, 1945, DEC



- ⇒ International Monetary Fund (IMF) helps in global currency exchange stability, helps against balance of payment crisis. (अंतर्राष्ट्रीय मुद्रा कोष: मुद्रा विनिमय दर स्थिरता भुगतान संतुलन संकट में मदद)
- ⇒ Acts as a reservoir of the currencies of all the member countries, from which a borrower nation can borrow the currency of other nations- using the Special Drawing Rights (SDR) mechanism. (Ref: Previous Handout on Currency Exchange.)
- ⇒ IMF important decisions need to be passed with 85% majority. USA has 16.52% voting power so it can effectively block/veto it. (अमेरिका हर सुधार प्रस्ताव को रोक सकता है)
- ⇒ 🌐 2020-May: IMF wanted to issue \$500 billion FRESH SDR to help member countries combat the corona crisis. But the USA (under President Trump) blocked it. India supported USA. India 2.6% voting rights.



- ⇒ 2021: Positive discussion on adding extra \$650 billion to IMF, and freezing loan repayment of 3rd world countries. <Update when actually done>
- ⇒ **IMF Chief?**
- **2019:** Christine Lagarde (France) resigned to become chief of European Central Bank (ECB, HQ Frankfurt, Germany). Then,
 - **Kristalina Georgieva** (Bulgarian economist, previously CEO of the World Bank) becomes the **second woman** IMF Chief after Christine Lagarde, for five years tenure.
- ⇒ **IMF' Chief Economist (CE)? Gita Gopinath**, an Indian-American economist, she became the first woman to be the Chief Economist of IMF (2019-Jan). Previously Raghuram Rajan has also served in this position. (मुख्य अर्थशास्त्री)
- ⇒ **📖 Notable reports?** Global Financial Stability Report, World Economic Outlook
- ⇒ United Nations (UN) has **195** members, whereas **IMF has 189 members**. But pursuing this type of KBC GK = poor cost:benefit for UPSC # 🙄 थोड़ा-पढ़ो-आगे-बढ़ो

32.3.1 🌐🔗👤🏦 IMF gives loan to Pakistan (2019)

2019: IMF approved \$6 billion loan/ Extended Fund Facility (EFF) to Pakistan. It'll be released in tranches (=instalments/किस्तों में) over the next three-years depending on the conditional reforms taken by Pak Govt, which includes:

- ⇒ Pakistan will have to comply with Financial Action Task Force (FATF) norms against anti-money laundering and terror financing → so, if Pak gets added in FATF-blacklist, then Pak's IMF loan release may get stopped. (धन शोधन, आतंकी वित्तपोषण को बंद करवाना होगा)
- ⇒ Fiscal Deficit and Primary deficit must be controlled to x% of GDP → indirectly, Pak will be forced to cut down on its Defence Expenditure (& ISI funding to terrorists).
- ⇒ Pak Govt will have to 📉 subsidy on gas & electricity → hardship for Pakistani people/
- ⇒ Loss making PSUs like Pakistan Steel Mills, Pakistan International Airlines and Pakistan Railways etc. have to A) become profit making OR B) be Privatized OR C) be Shutdown. (घाटे में चल रहे सार्वजनिक क्षेत्र के निगमों में सुधार, नहीं तो उसका निजीकरण) And so on...

📖🔗 MCQ. 'Global Financial Stability Report' is prepared by : (Asked in UPSC-Pre-2016)

- a) European Central Bank
- b) International Monetary Fund
- c) International Bank for Reconstruction and Development
- d) Organization for Economic Cooperation and Development

📖🔗 MCQ. Which of the following organizations brings out the publication known as 'World Economic Outlook'? (Asked in UPSC-Pre-2014)

- | | |
|-------------------------------------|------------------------------|
| (a) The International Monetary Fund | (b) UN Development Programme |
| (c) The World Economic Forum | (d) The World Bank |



32.4 THEORIES OF INTERNATIONAL TRADE

32.4.1 Mercantilist Theory: व्यापारी सिद्धांत

- From the 16th to 18th century, economists believed in mercantilism i.e. The amount of wealth in the world is static. A nation's wealth and power were best served by exports and receiving payments in gold, silver and precious metals. (आयात करने से राष्ट्रीय संपत्ति का क्षय होता है ऐसा मानते थे)
- Therefore, any import was seen as loss of nation's wealth in gold payment.
- So, colonial powers tried to flood their colonies with readymade goods but always prevented entry of goods in their home country. (औपनिवेशिक शक्तियाँ भारत को गुलाम बनाने लगी)

32.4.2 Adam Smith's Theory of Absolute Cost Advantage (1776)

Output per one laborer →	India	China
Wheat	30kg	10kg
Rice	10kg	15kg

- ⇒ India has an absolute cost advantage over China in wheat production. (संपूर्ण लागत लाभ)
- ⇒ So, India should focus on producing more wheat, and import rice from China. India should not try to be a 'rice production specialist'. (भारत को जो काम सही से करना आता है वह करना चाहिए चीन की नकल नहीं)
- ⇒ Adam Smith's theory assumes 1) there are no production costs except labourers 2) no transport cost 3) there is free trade (no taxes on import exports)

32.4.3 David Ricardo's Theory of Comparative/Relative Cost Advantage (1817)

तुलनात्मक लाभ सिद्धांत

How many workers required to produce →	1-meter textile	1 bottle of wine
France	10 workers	12 workers
England	9 workers	8 workers

- ⇒ Here, we can see England requires less workers than France to produce wine and textiles. So, as per Adam Smith's absolute cost advantage, England should not import anything from France!
- ⇒ But, if plotted on graphs, it'll appear for England per unit labour cost to produce 1 meter textile is (relatively) cheaper than 1 bottle of wine. (इंग्लैंड के लिए कपड़ा बनाना, शराब बनाने से तुलनात्मक रूप से सस्ता है।)
- ⇒ So, England should shift domestic English wine workers towards textiles. England should export textile to France and import wine from France. England should not try to become a 'Wine production specialist'. (इंग्लैंड में सस्ती लागत पर कपड़ा बना के निर्यात करें और शराब को आयात करें। खुद शराब न बनाए)
- ⇒ Based on Ricardo's theory, Economists prepare **Revealed Comparative Advantage (RCA) index**, which can help monitoring which commodities should a country export?
- ⇒ ES21: India's top RCA (Relative cost advantage) export commodities are mainly
 - Labour-intensive products [such as cotton, carpets, textiles- similar case in Bangladesh]
 - some capital /technology intensive products [such as Indian pharmaceuticals.]



32.4.4 Heckscher and Ohlin's Factor - Proportions Theory (1919)

- ⇒ **Capital-abundant country** will export the capital –intensive goods. E.g. USA's Boeing company exporting Jet planes. क्योंकि विमान बनाने में मजदूर कम और पूंजी ज्यादा चाहिए, अमेरिका के पास मजदूर कम और पूंजी विपुल मात्रा में है
- ⇒ **Labour-Abundant Country** will export labour-intensive goods. E.g. India exporting cotton (and imports jet planes from USA). क्योंकि कपास के उत्पादन में पूंजी कम और मजदूर ज्यादा चाहिए, भारत के पास मजदूर विपुल मात्रा में है.

32.5 BRETTON WOODS → 3) GATT → WTO (GENEVA)

- ⇒ Initially, Bretton Woods conference proposed set up the International Trade Organisation (ITO)
But USA opposed → the idea could not materialize (अमेरिकी विरोध के चलते बन नहीं पाया)
- ⇒ 1948: General Agreement for Tariffs and Trade (GATT: टैरिफ/शुल्क और व्यापार के लिए सामान्य समझौता)
- ⇒ 1986-1993: Uruguay Round of GATT negotiations → set up a permanent institution to encourage international trade in goods & services and Intellectual Property Rights (IPR) सेवा और वस्तुओं का व्यापार तथा बौद्धिक संपदा अधिकार.
- ⇒ 1994: Marrakesh treaty → WTO started functioning from 1/1/1995 at Geneva, Switzerland.
India is a founding member. (भारत एक स्थापक सदस्य)

33 WORLD TRADE ORGANIZATION: विश्व व्यापार संगठन



Ministerial Conference मन्त्री सम्मेलन	<ul style="list-style-type: none"> ✓ Supreme Decision-Making body. ✓ Usually meets once every two years, deliberates on trade agreements. ✓ One country = one vote. (unlike IMF & World Bank, where the money power → shareholding → determines the voting power) ✓ Appoints Director General (DG: महानिदेशक) to look after administrative work. ✓ 2021: WTO new DG is Ngozi Okonjo-Iweala, replacing Brazil's Roberto Azevêdo. She is a former finance minister of Nigeria, First woman and first African WTO chief. She previously worked in the World Bank
General Council सामान्य परिषद	<ul style="list-style-type: none"> ✓ Day to day decision making body @Geneva. ✓ Implements the decision of ministerial conferences ✓ Has representative from each member country. <p style="text-align: center;"><i>has two bodies, with separate chairmen</i></p> <ol style="list-style-type: none"> 1. Dispute settlement body: विवाद निपटान निकाय → Appellate Body 2. Trade policy review body: व्यापार नीति समीक्षा निकाय <p>Below general council, there are committees on individual agreements and annexes e.g. Anti dumping, Subsidies & countervailing measures (SCM) etc.</p>



33.1 🌐🛒👤 WTO → FUNCTIONS (जिम्मेदारियां या कार्य)

Today all countries try to protect domestic industries against foreign imports by creating two types of barriers against the international trade:

33.1.1 🌐🛒🚫 : Tariff Barriers against international trade

Tariff Barriers: शुल्क बाधाएं: Increasing the taxes, duties, cess, surcharge, on imported goods and services e.g. Trump imposed 25% custom duty on imported steel.

CVD	Anti-Dumping Duty: प्रतिपादन शुल्क
<p>two scenarios when foreign goods will appear cheaper to Indians than domestic goods:</p> <ul style="list-style-type: none"> - If foreign country is giving subsidies to their exporters AND / OR - If Indian government imposes higher amount of taxes, cess or surcharge on the locally manufactured products <p>THEN Indian Govt tries to protect local (domestic) industry by imposing Countervailing Duty (CVD: प्रतिकारी शुल्क), Special Countervailing Duty, Additional Customs Duty on imported items on imported items. Internal difference NOTIMP</p>	<ul style="list-style-type: none"> - If China exports goods to India at a price below their normal price in domestic Chinese market or at a price below their cost of production- then it is termed as “Dumping” - Then, India's commerce ministry → Directorate General of Trade Remedies : व्यापार उपचार महानिदेशालय (DGTR) investigates → recommends Finance ministry to impose “Anti-Dumping Duty” on such imported items. - E.g. \$185 on every one tonne of imported Chinese Steel, Then its prices will become equivalent to India Steel, thus Indian steel industry will be protected.
These duties have been removed in India. Now imported items are subjected to [Basic Customs Duty + Social Welfare Surcharge on it]+IGST	Not yet abolished in India. They're imposed subjected to WTO norms.

- **Inverted duty structure** (उल्टी कर संरचना) is a situation where import duty on finished goods is low compared to the import duty on raw materials, then it becomes difficult to produce the concerned good domestically at a competitive price.
- Commerce Ministry → **DG foreign trade (DGFT)** launched ‘**ARTIS**’ portal (Application for Remedies in Trade for Indian industry and other Stakeholders). Applicants can file complaints against dumping.
- 📁 Budget-2020: **Purified Terephthalic Acid (PTA)** is used in manufacturing (synthetic) textile fibres and yarns. Cheap PTA = boost to Indian textile sector, so we'll no longer charge Anti-dumping duty on it.

33.1.2 🌐🛒🚫 Non-Tariff Barriers against international trade



Import tax ↑ नहीं करूंगा लेकिन गाड़ी के चारों सीट पे **airbags** चाहिए!



WORLD TRADE ORGANIZATION



गैर शुल्क बाधाएं: if USA does not increase import taxes but plays other tricks like:



1. **Subsidies to domestic industries:** Giving free electricity to Detroit car manufacturers. OR USA govt. giving tax benefits & free car-insurance to USA residents for buying American made cars.
 2. **Public Procurement:** सार्वजनिक खरीद/प्राप्ति : Making rule that only American companies can fill up tender for supplying stationery, school bags etc. in government schemes.
 3. **Technical Barriers to Trade:** व्यापार के लिए तकनीकी बाधाएं: e.g. imported mango must have 0% pesticides residue, imported cars must have airbags for each passenger.
 4. **Quota system:** e.g. not >50 metric tonnes of steel can be imported from a single foreign country.
- WTO aims to reduce such tariff and non-tariff barriers to encourage international trade through its agreements and dispute settlement body.

33.2 WTO DISPUTES INVOLVING INDIA VS USA

33.2.1 India's Solar procurement preference

USA argued India's Jawaharlal Nehru **Solar Mission** gave **public procurement** preference & subsidy to India-made solar panels thus creating a non-tariff barrier for American solar panels. India lost the case @WTO & forced to withdraw such barriers (2017). However, USA still alleges that India is playing mischief in solar schemes by giving preference to local manufacturers over American-made products (2018)

33.2.2 Ban on American Poultry

In 2007, India had imposed the **ban on American poultry** under the Indian Livestock Importation Act, 1898 stating avian influenza / bird flu danger in India. USA claimed there was no scientific basis- India merely banning us to protect local poultry-wallas' business interest. WTO ruled in favour of USA (2016). But India has only allowed partial import of poultry from selected states of USA so, USA has demanded \$450 million compensation from Indian Govt. @WTO (2018).

33.2.3 India's export incentive schemes

- ⇒ 2018: USA complained to the WTO's Dispute Settlement Body (DSB: विवाद निपटान निकाय) that India is running various export incentive schemes such as:
- ⇒ Merchandise Export from India Scheme (MEIS: भारत से व्यापारिक निर्यात के लिए योजना),
 - ⇒ Export Oriented Units (EOU: निर्यातोन्मुख इकाइयाँ),
 - ⇒ Electronics Hardware Technology Parks (EHTP),
 - ⇒ Special Economic Zone (SEZ: विशेष आर्थिक क्षेत्र)
 - ⇒ Export Promotion Capital Goods (EPCG: निर्यात संवर्धन के लिए पूंजीगत माल).
- ⇒ Under above schemes India gives tax reliefs / subsidies to its exporters. So, it is creating tariffs and non-tariff barriers against American companies, & thus India is violating the WTO Agreement on Subsidies and Countervailing Measures (SCM: सब्सिडी और प्रतिकार उपायों पर समझौता).
- ⇒ India's position is "We'll phase out these schemes after 8 years from 2017 (=2025). Since we are a developing country, we should be given such relaxed deadline under SCM agreement."



- ⇒ **2019-Oct:** WTO's Dispute Settlement Body (DSB) ordered in favour of USA and ordered India to stop such schemes within the next 90-180 days.
- ⇒ **2019-Nov:** India goes to WTO Appellate Body (अपीलीय निकाय) to undo DSB's order.
- ⇒ **2020-Mar:** Indian Commerce Minister says, "we will not implement WTO's DSB's orders, because the appellate body (AB) is not functioning, so our appeal is pending."

33.2.4 🌐🏢🔍📋🗳️ WTO's Appellate Body (AB) Crisis

- ⇒ It is a permanent body to resolve appeals against DSB's orders.
- ⇒ It is ordinarily composed of 7 members, 4 year term & 1 reappointment.
- ⇒ WTO Appellate Body members are appointed by the WTO members by consensus, (i.e. no member-nation should formally object to candidate's name).
- ⇒ Since July 2017, the United States has been stalling AB appointments. So, body is under-staffed/dysfunctional. This has resulted in the 'Appellate Body crisis'. (अपीलीय ट्रिब्यूनल में केस आगे बढ़ नहीं रहे, क्योंकि अमेरिका यहां पर नए जजों की नियुक्ति में बाधाएं डाल रहा है)

33.2.5 🌐🏢🔍📋🗳️ WTO Multiparty Interim Arbitration (MPIA) mechanism

- ⇒ Due to the aforementioned appellate body crisis → some WTO members have created a Multiparty Interim Arbitration (MPIA) body as a temporary solution.
- ⇒ Members? EU, China, Brazil, Australia, New Zealand etc approx 23 WTO members.
- ⇒ India is not a member yet. India wants restoration of the original appellate body (AB). (उक्त समस्या से अस्थाई रूप से लड़ने के लिए चीन सहित कुछ देशों ने 'बहुपक्षीय अंतरिम मध्यस्थता' प्रणाली बनाई है किंतु भारत उसका सदस्य नहीं है, भारत डब्ल्यूटीओ की परंपरागत अपीलीय प्रणाली चाहता है)

33.3 🌐🏢👤📋: WTO → NOTABLE AGREEMENTS

Objective	📋 Agreement(s)
▼ tariff barriers शुल्क बाधाएं	1. 🚚 General Agreement on Tariffs and Trade (GATT) for goods- शुल्क और व्यापार पर सामान्य समझौता 2. 🏢 General Agreement on Trade in Services (GATS): सेवाओं के व्यापार पर सामान्य समझौता
▼ non tariff barriers गैर शुल्क बाधाएं	1. 🚚 For non-food: Agreement on Technical Barriers to Trade (TBT: व्यापार में तकनीकी बाधाएँ) e.g. talcum powder should not have more than x% of asbestos. 2. 🌿 For food: Agreement on Sanitary and Phytosanitary Measures (SPS: स्वच्छता और पादप उपाय) e.g. 'x' food item must not have more than y% pesticides residue.
▼ non tariff barriers → Subsidies	1. 🚚 For non-food: Subsidies and Countervailing Measures (SCM: सब्सिडी और काउंटरवैलिंग उपाय)



	<p>2. 📌 For food: Agreement on Agriculture (AoA: कृषि पर समझौता)- which aims to regulate the subsidies on agriculture through its 'box' mechanism.</p> <p>a. 📌 Subsidies that are classified in Green & Blue box category- are allowed (e.g. Research, Cattle-Vaccination).</p> <p>b. 📌 Amber (एम्बर) box category subsidies will be subjected to quantitative limits (e.g. Fertilizer, Electricity, Diesel, MSP.)</p>
Misc. measures to encourage global trade	<p>1. Trade-Related Aspects of Intellectual Property Rights (TRIPS: बौद्धिक संपदा अधिकारों के व्यापार-संबंधित पहलू) → related topics: Compulsory licensing, pharma-patents. 📌 More in Pillar4B: IPR</p> <p>2. Trade-Related Investment Measures on Foreigners. (TRIMs: विदेशियों पर व्यापार से संबंधित निवेश के उपाय)- it applies to foreign investment norms related to goods only. Doesn't apply on foreign investment norms on services.</p> <p>3. Plurilateral agreements (बहुपक्षीय समझौते): They are not signed by all the members of WTO e.g. Agreements on aircrafts, dairy product, bovine meat, Information Technology Agreement (ITA) सभी सदस्य राष्ट्रों ने इस पर हस्ताक्षर नहीं किए</p>

📌 ? With reference to Trade-Related Investment Measures (TRIMS), which of the following statements is/are correct? (UPSC-Prelims-2020)

1. Quantitative restrictions on imports by foreign investors are prohibited.
2. They apply to investment measures related to trade in both goods and services.
3. They are not concerned with the regulation of foreign investment.

Ans Codes: [a] 1 and 2 only [b] 2 only [c] 1 and 3 only [d] 1, 2 and 3

📌 ? MCQ. In the context of which of the following do you sometimes find the terms 'amber box, blue box and green box' in the news? (Asked in UPSC-Pre-2016)

- (a) WTO affairs (b) SAARC affairs (c) UNFCCC (d) India-EU negotiations

📌 ? MCQ. The terms 'Agreement on Agriculture', 'SPS Agreement' and 'Peace Clause' are in the context of affairs of the ____ (Asked in UPSC-Pre-2015)

- (a) Food and Agriculture Organization (b) UN Framework Conference on Climate Change
(c) World Trade Organization (d) United Nations Environment Programme

📌 ? MCQ. TRIPS Agreement pertains to (Asked in UPSC-CDS-2017-I)

- (a) international tariff regime (b) intellectual property protection
(c) international practices on trade facilitation (d) international taxation of property

📌 ? MCQ. Which of the following are the main functions of WTO? (UPSC-IES-2020)

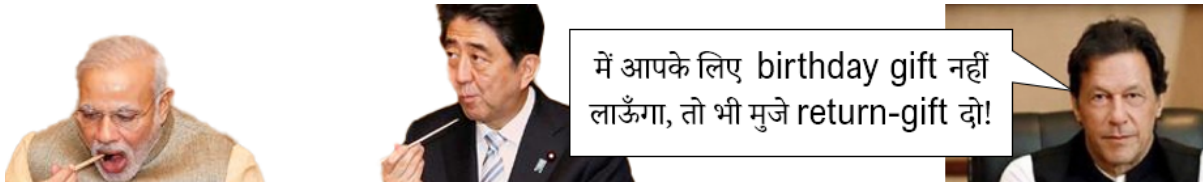
1. To organize meetings of members to arrive at trade agreements covering international trade.
2. To ensure that member countries conduct trade practices as per agreements agreed upon & signed by the members.
3. To provide a platform to negotiate and settle disputes related to international trade between & among members.

codes: (a) 1 and 2 only (b) 1 and 3 only (c) 2 and 3 only (d) 1, 2 and 3



33.4 🌐🛒👤: 🤝 WTO NEGOTIATIONS / SUMMITS / PACKAGES

33.4.1 🤝👤 Most Favoured Nation (MFN)- अत्याधिक वरीयता वाले देश



- ⇒ Suppose India levies 15% custom duty on imported pen-drives from any country. But, later India-Japan trade agreement is signed wherein Japanese pen-drives are subjected to only 5% custom duty in India. Then implies Japan has become the Most Favoured Nation for India (as far as the pen-drive trade is concerned).
- ⇒ WTO agreements require that whatever treatment is being given to the Most Favoured Nation, must also be extended to all other member countries. A member should not discriminate between its trading partners. (So even imported Pakistani pendrives should be subjected to 5% custom duty only, if India is charging that % on Japanese). But in practice, MFN is not implemented in letter and spirit by the members.
- ⇒ 1996: India granted MFN status to Pakistan but Pakistan didn't reciprocate (mainly) due to their local textile industrialists' lobby who feared competition from Indian textile imports.
- ⇒ **2019-Feb:** India withdrew MFN status for Pakistan, following Pulwama attack on CRPF personnel. India also 📦 customs duty by 200% on goods originating from Pakistan.
- ⇒ Since Pak not giving India MFN treatment. So, **there is no 'legal-compulsion'** on India to give them MFN status. even if Pak complained to WTO's dispute redressal panel, it'll lose the case.

📖❓ MCQ. Most Favoured Nation (MFN) Clause under WTO regime is based on the principle of [UPSC-CDS-2017-I]

- a) non-discrimination between nations
- b) discrimination between nations
- c) differential treatment between locals & foreigners
- d) uniform tariff across commodities

33.4.2 🤝👤 Least Developed Countries (LDC: सबसे से कम विकसित देश)

- ⇒ are identified by the UN Economic and Social Council (ECOSOC: संयुक्त राष्ट्र आर्थिक और सामाजिक परिषद). Somaliya, Ethiopia, Congo, Bhutan, Bangladesh etc.
- ⇒ Least Developed Countries' economic growth can 📦 if they are able to export more. So, WTO agreements permit other countries to give duty free quota free access to exports from LDC. and that is not considered as a violation of any other agreement.
- ⇒ e.g. If India levied 0% custom duty on Somalian pendrives, India will not be required to give same treatment to Japanese pen drives under "MFN norm", Bcoz Japan isnot LDC.

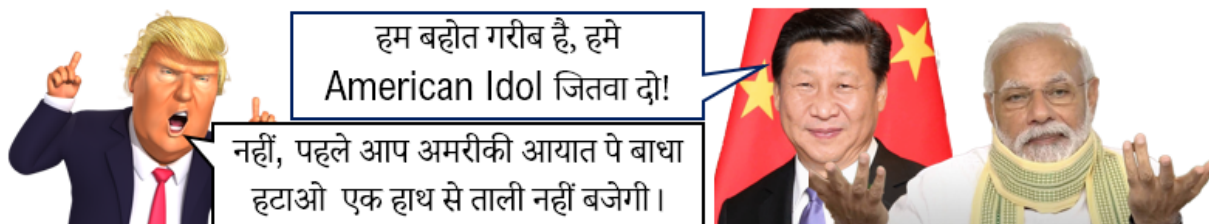
Before dwelling into summits, let's keep a few terminologies in mind →



1. **First world countries, Advanced Economies (AE), Developed Countries**= such as USA Canada, France and Germany etc. (प्रथम विश्व के देश, उन्नत अर्थव्यवस्थाएँ, विकसित देश)
2. **Second world countries**= USSR and its neighbouring European countries which were under the influence of Communist Socialist ideologies. However, with the collapse of USSR, the term has become defunct (अप्रचलित/ मृत).
3. **Third world countries, developing countries, Emerging market economies (EME)**= India China, Mexico, Brazil etc. Nowadays, “**Global South**” term also used for them. तीसरा विश्व, विकासशील देश, उभरती हुई अर्थव्यवस्थाएँ, वैश्विक-दक्षिण

Some of the burning and contentious issues between 1st world vs. 3rd world at WTO→

33.4.3 🤝🌐 Doha Development Round (Qatar 2001)



3rd world countries wanted following:

- ✓ 1st world should liberalize their trade regulation further so that 3rd world's goods and services can enter more easily in the first world's domestic markets. उदारीकरण
- ✓ 3rd world should be allowed to **keep various barriers** to slow down the entry of 1st world's agriculture, manufactured goods and service exports in their domestic market. स्थानीय उद्योगों को बचाने के लिए हम व्यापार-बाधाओं को कायम रखेंगे।
- ✓ 1st world shd give financial + technical assistance to 3rd world. आर्थिक व तकनीकी सहायता

Obviously, USA and European countries would not like this. So, Doha round of negotiation continues without conclusion. And in future summits the USA/EU would want WTO officials to begin negotiations on the new matters lucrative to their MNCs (like ICT, E-Commerce) whereas 3rd world nations will continue to insist that Doha round negotiations must be concluded first.

33.4.4 🤝🌐🌾 Food subsidies & peace clause: खाद्य रियायतें और शान्ति अनुच्छेद/उपधारा



Under WTO's Agreement on Agriculture (AoA), 1st world and 3rd world countries are required to limit their food-subsidies to 5% and 10% respectively to the value of their agriculture production.

⇒ But, in absolute quantitative terms USA's 5% will be much bigger than India's 10% → 1st world countries are able to give larger amount of food subsidies to their farmers → export them to 3rd world countries @cheap price, and ruining local farmers.



- ⇒ Further, India has a large population of poor farmers who require Govt support in the form of subsidies & procurement at Minimum support prices (MSP: न्यूनतम समर्थन मूल्य) More in Pill#4A.
- ⇒ India also has a large number of malnourished poor families who need subsidized food grains under National Food Security Act (NFSA खाद्य सुरक्षा अधिनियम/कानून) More in Pill#6.
- ⇒ 2013: WTO ministerial conference at Bali (Indonesia) → India refused to sign any new agreements until this food subsidy issue was resolved.
- ⇒ So, WTO Peace Clause → it gave temporary immunity to India and other developing countries. (अस्थायी- बचाव/ अल्पकालिक- प्रतिरक्षा)
- ⇒ Basically, 3rd world nations can give any amt of subsidy for their food programs:
 - (1) USA/Other countries cannot impose countervailing duty. प्रतिकारी शुल्क पर रोक
 - (2) USA/Other countries cannot complaint to WTO about it. शिकायत पर गौर नहीं किया जाएगा
- ⇒ **2020-April:** India informed WTO that in rice production, we've crossed the 10% subsidy limit (in 2018-19). But as per Peace clause, we've immunity! हम को खुली छूट मिली है.

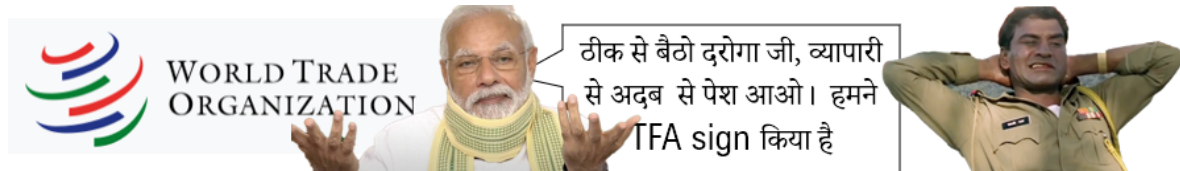
33.4.5 🤝👤👤 Food subsidies: Cairns Group

Agricultural exporting countries' group. Members: Argentina, Australia, Bolivia, Brazil, Canada etc. 20 nations. They want WTO members to [v]/stop agri subsidies. India is not a member.

33.4.6 🤝👤👤 Bali Package & Trade Facilitation Agreement / TFA (2013)

Bali Package is the trade agreement / outcome resulting from the WTO ministerial conference (मंली सम्मेलन) 2013 @Bali, Indonesia. Its two significant components are :

1. Trade Facilitation Agreement (TFA: व्यापार सुविधा समझौता):



- a. requires member countries to [v] their bureaucratic delays, red tapes, inspector raj in import-export of goods. (नौकरशाही, लाल फ्रीताशाही)
 - b. They've setup online portals where traders can seek permissions, pay fees, custom duties, self declaration forms (like e-way bill) etc.
 - c. India & others ratified in 2016 → TFA became effective from 2017.
 - d. India set up a National Committee on Trade Facilitation (NCTF) under Cabinet Secretary (IAS). Below him → a steering committee jointed headed by Revenue secretary (IAS) and Commerce secretary (IAS). (व्यापार सुविधा पर राष्ट्रीय समिति → संचालन समिति)
2. Peace Clause on subsidies → explained in previous section.

🔍 MCQ. Find correct among the following statements: (Asked in UPSC-Pre-2017)

1. India has ratified the Trade Facilitation Agreement (TFA) of WTO.
2. TFA is a part of WTO's Bali Ministerial Package of 2013.



3. TFA came into force in January 2016.

Answer Codes: (a) 1 & 2 only (b) 1 & 3 only (c) 2 & 3 only (d) 1, 2 and 3

33.4.7 **Nairobi Package & SSM (2015)**

Nairobi Package resulted from the WTO ministerial conference 2015 @Nairobi, Kenya →

1. We'll extend the Peace Clause for another "x" years.
2. Members must stop the subsidy on Agriculture Exports: 1st world countries must comply immediately while 3rd world countries given a relaxed deadline.
3. If there is a surge of cheap agro exports from 1st world to 3rd world, then 3rd world countries will have the right to temporarily increase tariff / taxes on them, to protect their local farmers. It's called " Special Safeguard Mechanism: विशेष सुरक्षा तंत्र (SSM)."
4. 1996 → Information Technology Agreement (ITA) plurilateral agreement (i.e. not signed by all member nations) → It aims to abolish import export taxes on ~200 IT products. WTO discussions to try to get more members sign this, so global IT-trade can increase. India signed in 1997 but could not benefit due to low capacity of local manufacturing. (हालांकि भारत में हस्ताक्षर तो किए थे लेकिन हमें बहुत ज्यादा फायदा नहीं हुआ क्योंकि हमारी कम्प्यूटर हार्डवेयर उत्पादन क्षमता ही कमजोर है)
5. Technical reforms to help the exports from Least Developed Countries (LDC).



33.4.8 **Buenos Aires Summit #flop (2017)**


The 11th WTO Ministerial conference 2017 @Buenos Aires, Argentina failed to deliver any notable outcome because : उल्लेखनीय परिणाम देने में विफल क्योंकि

1. Food subsidy related reforms remained inconclusive (अनिर्णीत) because neither India-China nor USA-EU were willing to compromise.
 - a. So, in reality 'Peace clause' is extended for infinite period-
 - b. which is not a good thing because large amount of food subsidies given on (chemical) fertilizers harm the environment.
2. USA-EU were more keen for a new agreement on e-commerce
 - a. but India-China opposed that such agreements will benefit 1st world countries more (because they've Amazon, Walmart, Facebook etc) than 3rd world.
 - b. India-China insisted that first finish negotiations of the original Doha agenda subjects, before proposing such new topics like e-commerce.
3. Members also failed to conclude negotiations related to Special Safeguard Mechanism (SSM), investment facilitation, MSME etc..

As a result, this conference ended without a joint declaration by the members.

33.4.9 **Kazakhstan Summit #cancelled (2020-June)**

⇒   2020-June: WTO ministerial conference was to held at Kazakhstan's Astana (new name of this city: Nur-Sultan) But, cancelled by Corona.

 MCQ. Find correct statements relating to WTO: [UPSC-CDS-2014-II]



1. The WTO deals with the global rules of trade between nations.
2. The goal of the WTO is to help producers of goods and services, exporters, and importers conduct their business.
3. The WTO, which is a successor body of the General Agreement on Tariffs and Trade, came into being following the Uruguay Round of Negotiations.
4. The WTO distances itself in framing of rules on trade in intellectual property rights.






Codes: (a) 1, 2 and 3

(b) 2, 3 and 4

(c) 1, 2 and 4

(d) 1 and 3 only

33.5 TRADE AGREEMENTS TYPES: व्यापार समझौते के प्रकार

1.  **Partial Scope Agreement (PSA: आंशिक व्यापकता समझौता)**: Trade between two countries for a small list of goods @reduced tariffs.
2.  **Preferential Trade Agreement (PTA: अधिमानी व्यापार समझौता) / Free Trade Agreement (FTA: निःशुल्क व्यापार समझौता)**: Member= lower tariff; non-members: regular tariff.
 - a. All FTAs are not same. Tariff and list of allowed goods/services could vary depending on country to country. E.g. India Mauritius Free trade agreement: Comprehensive Economic Cooperation and Partnership Agreement (CECPA)- More than 300 Indian goods from agriculture, textile, electronics will get concessional customs duties in Mauritius. More than 600 Mauritius goods will get Similar treatment in Indian market. (व्यापक आर्थिक सहयोग और भागीदारी समझौता जिसमें एक दूसरे पर रियायती सीमा शुल्क)
 - b. Depending on number of participants it can be bilateral or multilateral or regional or global (e.g. WTO, ऐसे समझौते द्विपक्षीय बहुपक्षीय क्षेत्रीय या वैश्विक हो सकते हैं).
 - c. If countries go further beyond just lower tariffs e.g. relaxed norms for entry of foreign investment (FDI) and foreign workers → then it becomes
 - i. CEPA = Comprehensive Economic Partnership Agreement or
 - ii. CECA = Comprehensive Economic Cooperation Agreement.
 - iii. CECPA = Comprehensive Economic Cooperation and Partnership Agreement
 - iv. **CEPA vs CECA vs CECPA Internal difference not important.**
3.  **Customs Union (CU: सीमा शुल्क संघ)**: FTA in which members apply a common external tariff (CET) for non- members. E.g. East African Community (EAC). Caribbean Community (CARICOM, *although according to some sources now it evolved into Common Union but that is not imp. Location is imp.*)
4.  **Common Market (CM: सामान्य बाजार)**: Customs union where factors of production (capital, labour) can move freely amongst members e.g. MERCOSUR- S.America.
5.  **Economic Union (EU: आर्थिक संघ)**: common market where member countries keep common currency & tariff. Allow entry of goods, services, capital and labour among themselves with minimum restrictions. They decide their fiscal policies and diplomatic policies through a



common parliament 'European Parliament', and their monetary policies through a common central bank – 'European Central Bank'.

? How many member states are there in CARICOM, a grouping of Caribbean nations? (UPSC-Geologist-2020)

- a. 10 b. 12 c. 15 d. 18

<While the answer is 15 but poor cost:benefit chasing such KBC GK. Better to skip>

33.6 FREE TRADE AGREEMENTS → TPP, TPP11, TATIP, RCEP

33.6.1 Trans Pacific Partnership (TPP: ट्रांस पैसिफिक साझेदारी) #FAIL

USA proposed free trade agreement among 12 countries: US, Japan, Malaysia, Vietnam, Singapore, Brunei, Australia, New Zealand, Canada, Mexico, Chile and Peru.

- Aimed to have lower tariffs for participant countries, easier norms for labour, environment and investment. भागीदार देशों के लिए टेक्स/करो में कमी, श्रम, पर्यावरण और निवेश के लिए आसान मानदंड।
- 2016: President Trump withdrew from the negotiation claiming, “TPP will take away jobs from USA because companies will setup factories in Mexico where labour is cheaper, and then such cheap products will be dumped in USA, yet we’ll not be able to impose heavy taxes on them.” So TPP has become defunct.



33.6.2 TPP-11 or CPTPP

⇒ While USA-led TPP could not materialize, but some of the nations in Pacific region separately worked out a ‘**Comprehensive and Progressive Agreement for Trans-Pacific Partnership**’ (CPTPP or commonly called TPP-11) in 2018-Dec.

⇒ **Presently, it has 11 signatories:** Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam.

33.6.3 Transatlantic Trade and Investment Pact (TTIP)

अंतर-एटलान्टिक व्यापार एवं निवेश समझौता: Proposed free trade agreement between USA & EU with objectives similar to TPP- reduce tariff, easier entry of foreign investment etc. Negotiations are ongoing but it is not yet signed mainly due to opposition from the European Union side. E.g.

1. In USA’s **Farm, Dairy and Meat industry** the standards related to pesticide residue, pathogens, antibiotics, growth hormones, genetically modified (GM) crops etc. are slightly lower than EU. So, EU’s animal rights & environmental groups worried it will lead to unrestricted flow of those “harmful” products from USA to Europe. कीटनाशक अवशेष
2. EU has strict norms on private companies to cut their emissions and **compulsorily invest in renewable energy**. In USA such norms are relaxed. EU’s environmental groups don’t want such ‘polluting US companies’ to profit via exporting to EU. उत्सर्जन, अक्षय ऊर्जा



3. USA wants EU nations to cut down **the subsidies & preferences** given to EU's state owned enterprises (SOE) / PSUs. EU civil rights / labour rights group fear it will lead to privatization of **Health, Education, Insurance** cos which will cause unemployment of PSU-workers, and when pvt.MNCs are providing such essential services it'll become unaffordable for many poor citizens.
- सार्वजनिक क्षेत्र के उपक्रमों का निजीकरण → बेरोजगारी

USA had been lobbying for **TPP and TTIP** because **USA is disillusioned (मोहभंग)** with the WTO- wherein India, China and other emerging economies have equal voting rights and have become more assertive, so USA and its MNCs are not gaining much benefit out of WTO led agreements.

But, If TPP/TTIP materialized, it'd harm Asian economies exports towards US/EU so to compensate that loss, Asian economies came up with their own idea RCEP....




33.7 REGIONAL COMPREHENSIVE ECONOMIC PARTNERSHIP (RCEP)



महफिल में तेरी हम ना रहे जो राम तो नहीं है, राम तो नहीं है




33.7.1 Introduction to RCEP ()

- ⇒ RCEP (व्यापक आर्थिक भागीदारी का क्षेत्रीय समझौता) is a proposed free-trade agreement (मुक्त व्यापार समझौता) between the **10 ASEAN countries** and their six **Free-Trade Agreements** partners viz. Australia, China, India, Japan, New Zealand and S. Korea. (मुक्त व्यापार समझौता)
- ⇒ Collectively, these countries command **25% of global GDP, 30% of global trade**.
- ⇒ RCEP requires them to  tariff & non-tariff barriers against each other,  investments, economic & technical cooperation, protect **Intellectual Property Rights** (IPR: बौद्धिक संपदा अधिकार) etc. This will  trade, economic growth, employment in each of these countries

33.7.2 RCEP: Why didn't India join in 2019-Nov?

India has **>\$100 billion trade deficit** (व्यापार घाटा) with RCEP countries. Out of this, **China alone accounts for \$54 billion** trade deficit. So India had following apprehensions about this agreement.

- 1)   **China:** RCEP will result in increased flow of (Cheap) Chinese manufactured & electronic goods → Indian **MSME, automobile, steel** industries harmed → So, India wanted separate levels of customs duty against Chinese imports. चीनी सामान से भारत के उद्योग नष्ट हो जाएंगे.
- 2)   **Dairy:** India is among largest producers of milk but our specialty is mostly in the liquid products whereas **New Zealand** is renowned for its solid products (milk powder, butter, cheese etc.) These solid dairy products have a longer shelf-life & easier to transport over long-distance. So if trade-barriers removed, India will be flooded with cheap dairy products → Indian farmers & dairy entrepreneurs will suffer. भारतीय किसान, डेरी उद्योग को विदेशी आयत से खतरा.
- 3)   **Agriculture:** Southern India's plantation farmers afraid of cheaper Tea, Coffee, Rubber, Cardamom and pepper from Malaysia, Indonesia & other RCEP nations.



- 4) 🛡️ So, India wanted an Automatic Trigger Safeguard Mechanism (ATSM: स्वचालित ट्रिगर का सुरक्षा तंत्र) to protect itself from surge in imports. (e.g. 📦 customs duty by “X%” on imported products from “y” country if “z” situation occurs).
- 5) 🔄🚫 Ratchet Obligation (रैचेट दायित्व): It means a nation can not go back/undo its commitments under the RCEP agreement. India wants certain exemptions here.
- 6) 📄 Data localisation (डेटा स्थानीयकरण): India wants all RCEP countries to have the rights to protect data & prohibit cross-border data flow (सीमापार डेटा प्रवाह पर रोक) in the national interest. For this reason, India even refused to sign G20 Osaka declaration on cross-border data flow.

2019-Nov: RCEP summit at Bangkok, Thailand. Here, Indian demands were not agreeable to the majority of other members. So, India announced not to join the RCEP Agreement.

2020-Nov: 15 members signed it. India not yet signed. 2021: Singapore becomes 1st to sign.

India also had 500 जात के other objections but the maximum utility of RCEP topic is 250 words in the mains exam. For that, we have gathered sufficient points. Further PHD useless.

33.7.3 🗨️ RCEP: Counterview: India made a mistake by not joining

- 1) **Competition brings excellence.** Unless the Indian industrialists are subjected to the competition from Asian giants, they will not invest further in the R&D, product upgradation, customer service & customer satisfaction. श्रेष्ठता के लिए स्पर्धा जरूरी
- 2) If India doesn't join RCEP, our products will not be able to compete in those nations because of the **higher taxes on Indian exports** viz a viz other RCEP exports.
- 3) Indian manufacturers could import intermediate goods from RCEP countries at cheaper price → process them further → **re-export towards Middle East, Africa and European**. Thus, RCEP could have provided the perfect opportunity for India to become integrated with the **global value chain** (वैश्विक मूल्यवर्धन श्रृंखला में हिस्सा बन सकता है).
- 4) World Bank's "A Glass Half Full: The Promise of Regional Trade in South Asia" report (2019) estimates India's potential trade in goods with South Asia at more than 60 billion, but at present the actual trade is less than \$20 billion- due to tariff barriers and connectivity issues. Hence, **RCEP is necessary for boosting India's exports.** (निर्यात में बढ़ोतरी में मदद मिलेगी)
- 5) RCEP was still 'less strict' in comparison of India's ongoing FTA negotiations with the USA or EU. It was a **low-hanging fruit**, we should have signed it.
- 6) India will have to eventually shed-off its '**big but poor**' mentality. International agreements always require some sort of bargaining / give and take. ('बड़े लेकिन गरीब' मानसिकता से निकलना होगा)

33.7.4 ✍️ RCEP: Conclusion? (निष्कर्ष)

⇒ While it is true that India could have gained in certain export-sectors by signing RCEP Agreement, but its present format did not fully address India's issues and concerns regarding the protection of the domestic industry. हालांकि भारत को कुछ निर्यात क्षेत्रों में फायदा हो सकता था, लेकिन वर्तमान प्रारूप ने घरेलू उद्योग की सुरक्षा के संबंध में भारत के मुद्दों और चिंताओं को पूरी तरह से संबोधित नहीं किया






- ⇒ So we've opted not to sign it. The remaining member-nations have planned to sign the RCEP agreement in 2020 and they are trying to convince India to get onboard.
- ⇒ India has not permanently shut the doors for negotiation. In future we may sign it, if our concerns are addressed. स्थायी रूप से दरवाजे बंद नहीं किए हैं। यदि हमारी चिंताओं पर ध्यान दिया जाए तो भविष्य में हम इस पर हस्ताक्षर कर सकते हैं।

33.7.5 Economic survey 2015-16: Observations abt India's Trade Agreements

- India has signed 40+ trade agreements with various countries, our global trade has improved but more on import side than export side. निर्यात की तुलना में आयात ज्यादा बढ़ी।
- RCEP, TTIP, TPP are mega regional agreements that will undermine the WTO processes. बहु क्षेत्रीय समझौते, डबल्यूटीओ को कमजोर कर रहे हैं।
- India must prepare for this changing world. India should shed its **“big but poor” dilemma/mentality** ("बड़ा लेकिन गरीब" दुविधा/मानसिकता) i.e.
 - *“Our India is poor nation we must protect farmers & MSME so we have moral right to impose tariff and non-tariff barriers on US/EU goods/services & yet US/EU must allow our goods/services into their countries without any barriers!”*
- That's why India-European Broad-Based Trade & Investment Agreement (BTIA) is not reaching conclusion. International trade is a **give-and-take relationship** we've to  our trade barriers only then we can expect them to reduce their trade barriers. (पारस्परिकता, एक हाथ दो-दूसरे हाथ लो)

33.7.6 ES20: Observations abt India's Trade Agreements (आर्थिक सर्वेक्षण)

- ⇒ Critiques allege that most of India's FTAs have not worked in “India's favour.” e.g. India's FTA with S.Korea, Japan and Sri Lanka= %  in imports >> are higher than %  of exports. (आयात की प्रतिशत-वृद्धि, निर्यात की प्रतिशत-वृद्धि से अधिक है। इसलिए मुक्त व्यापार समझौते भारत के लिए लाभकारी नहीं हैं, ऐसा आलोचकों का मतव्य)
- ⇒ However, after lengthy data analysis, the ES20 concluded overall India gained in terms of  in exports by signing FTAs. (मुक्त व्यापार समझौतों पर हस्ताक्षर करने के बाद कुल मिलाकर भारत के निर्यात में वृद्धि हुई है)

33.7.7 Budget-2020: FTA 'rules of origin' (उत्पत्ति के नियम)


- 1998: India - Sri Lanka FTA. So ink manufactured in Sri Lanka = 0% Indian customs duty when imported in India.
- But sometimes Chinese company manufacture ink bottles in China, transports to its Sri Lankan company → Sri Lanka's (phoney/namesake) company pastes a label *“this bottle manufactured in Sri-Lanka”* → sell them in India @0% customs duty?
- So, FTA agreements contain 'rules of origin'. Which requires that minimum x% manufacturing/processing/value addition must be done in originating country (Sri Lanka in our example) before it's eligible for 0% customs duty.



- Originating country (Srilanka) cannot dump goods from some third country (China) in the Indian market by just putting a label on it. (ताकि, उद्गम/ निर्यात करता देश किसी तीसरे देश की वस्तुओं पर अपना लेबल चिपका के भारत में कर-मुक्ति के साथ न बेच सके.)

33.7.8 Commerce Ministry: Certificate of Origin (उद्गम प्रमाण पत्र)

- ⇒ India has signed a free trade agreement with many countries. Such agreements provide that foreign partner nations will levy 0% or reduced taxes on the imported items of India.
- ⇒ But for this, Indian exporters need to submit a document to the Foreign partner country's landing port that "*indeed the item was manufactured and sent from India.*"
- ⇒ Such Certificate of Origin (CoO) is issued by the Director general of foreign trade under the commerce ministry. भारत से निर्यात किया गया सामान भारत द्वारा ही बनाया गया है ऐसा प्रमाण पत्र ताकि मिला राष्ट्र उस पर मुक्त व्यापार समझौते के अंतर्गत टैक्स में रियायत दे
- ⇒ 2020 -Online portal was created to facilitate this project. But, it does not have any MCQ worthy-fancy name, so we need not remember its name.

 MCQ. Consider the following countries:(Asked in UPSC-Pre-2018)

1.Australia 2.Canada 3.China 4.India 5.Japan 6.USA

Which of the above are among the 'free-trade partners' of ASEAN?

(a) 1, 2, 4 and 5 (b) 3, 4, 5 and 6 (c) 1, 3, 4 and 5 (d) 2, 3, 4 and 6

33.7.9 Trade agreements losing shine → NAFTA & SAFTA

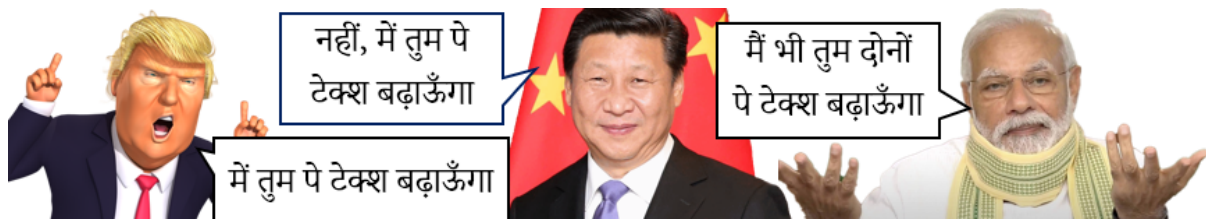
NAFTA 1994	⇒ North American Free Trade Agreement; उत्तरी अमेरिका निशुल्क व्यापार समझौता (1994) involves Canada, USA and Mexico. ⇒ However, Trump felt NAFTA harms the American interests → 2018: He made a deal with Mexico and Canada to replace NAFTA with a new agreement called United States-Mexico-Canada-Agreement (USMCA).
SAFTA 2004	⇒ South Asian Free Trade Area (दक्षिण एशियाई मुक्त व्यापार क्षेत्र) is a trade agreement of SAARC nations- Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka. ⇒ 2016: India refused to attend SAARC Annual summit @Pakistan, after Uri-Attack. In 2019 India raised duties on Pakistani goods so SAFTA's is losing its shine.
AFCFTA	⇒ 2019: African Union (AU) members have signed the African Continental Free Trade Agreement (AfCFTA). It's world's largest FTA covering 54 nations.

33.8 INDIA'S TRADE AGREEMENTS

Homework: Refer Economic Survey 2019-20 Vol2 ch.3: Annexure-II= table is given, focus on participants, & whether trade agreement 'concluded' or at 'negotiation stage'.



33.9 🌐🛒🏢 BURNING ISSUES IN INTERNATIONAL TRADE



33.9.1 🌐🛒🏢 Protectionism, Trade war: संरक्षणवाद, व्यापार युद्ध

- ⇒ Protectionism means use of tariff and non tariff barriers to protect the local industry against foreign competition. (शुल्क व गैर शुल्क बाधाओं द्वारा स्थानिक उद्योगों को विदेशी स्पर्धा से बचाना)
- ⇒ Trade war happens when 2/more nations attack each other's exports via tariff & non-tariff barriers.
- ⇒ **2017:** USA had \$375 billion trade deficit with China. Cheap import from China → domestic American mfg suffer. US cos outsourcing to China → unemployment of American workers.
- ⇒ **2018:** Trump announced 25% tariff on Imported Steel, Semiconductors, Chemicals, Plastics, Motorbikes and Electric Scooters etc. from China.
- ⇒ So, China retaliated by hiking tariff on imported American soybean & other food products, chemicals, medical equipment & vehicles. Both also filled complaints against each other at **WTO**.
- ⇒ EU also making similar **protectionist** moves against China and India.


33.9.2 🏠🌐🛒🏢: 🏠🏠 Protectionism → Medicine and Defence

- ⇒ 🏠 **Hydroxychloroquine:** anti-malarial drug, could be used in the COVID-19 treatment. Earlier India had imposed a ban on its export to ensure supply for the Indian patients. But 2020-june: India lifted the ban for 1) export earning 2) 1) soft-diplomacy: winning support of its friendly nations. (नरम कूटनीति)
- ⇒ 🏠 **2020-Aug:** Defense ministry has put 101 defense items in negative import list (आयात प्रतिबंध सूची) i.e. they will be purchased from local manufacturers. They'll not be imported e.g. Multi barrel rocket launchers, assault rifles, radars. 😊 Benefit? Local industry will get contracts worth ₹4 Lcr. → Make in India, Atma-Nirbhar, ⬇️ CAD.
- ⇒ 2020: Govt banned the import of certain types of tyres and air conditioners, to promote their domestic manufacturing in India.

33.9.3 🏠🌐🛒🏢: 🛒🏠 Protectionism → Indian Govt procurement (सरकारी खरीद)

- ⇒ **Atma-Nirbhar:** PM asked the nation to be "local ke liye vocal" (to promote local goods) with an aim to make India self-sufficient in every way.
- ⇒ So, in Government procurement tenders up to ₹200 crore. → Foreign (global) companies will not be allowed to apply. (सरकारी खरीद के 200 करोड़ तक के टेंडर में विदेशी कंपनियों को अर्जी डालने पर प्रतिबंध, ताकि स्थानिक सूक्ष्म, लघु और मध्यम उद्यम को बिक्री का अवसर मिले)




⇒ This will help Indian Micro, Small & Medium Enterprises (MSME) and large Indian companies to revive business through  purchase from the Government.

⇒ **Sidenote:** In an excessive and unplanned enthusiasm, **Home Minister** Amit Shah ordered Central Armed Police Force (CAPF) canteens not to sell any “imported” items. But, many Indian companies were also kept on the banned list because of miscommunication or haste in preparing the list. So, the order has been withdrawn.

33.9.4 USA's Special 301 report



Annual report that lists the countries who are harming the Intellectual Property Rights: (IPR: बौद्धिक संपदा अधिकार)- copyrights, patents and trademarks of American companies.

- These countries are classified into categories such as “Priority Foreign Country” (Most dangerous)> "Priority Watch List" > "Watch List" etc.
- Depending on classification, USA will complaint to WTO and / or spend money on those countries to  piracy (e.g. *training and capacity building of Russian police officers & China's cybercrime courts etc.*).
- 2018: India, Russia, China etc. are in priority watchlist. Mainly because of their hackers, movie piracy, counterfeit products; India because of its drug patent norms & NPPA which reduce the profitability of US pharma companies' patented drugs.

33.9.5 USA's Generalized System of Preferences (GSP) list

यूएसए की प्राथमिकताओं की सामान्यीकृत प्रणाली सूचि

- If a developing country's name is in this list, its exports will be subjected to zero/lower import duties in USA (for selected products only).
- 2019: Trump removed India from GSP list, citing India has imposed heavy import duties on Harley Davidson bikes and other American exports.
- As such most of the Indian exported goods to USA are not in the GSP list in the first place, so this blacklisting will not harm India much, albeit, Indian textile companies are worried that GSP-removal will make Indian garments more expensive in USA.

Related term: Global System of Trade Preferences among Developing Countries (GSTP: विकासशील देशों के बीच व्यापार व्यवस्था की वैश्विक प्रणाली) is a trade agreement among developing countries & LDC signed under the aegis of United Nations Conference on Trade and Development (UNCTAD: व्यापार और विकास पर संयुक्त राष्ट्र सम्मेलन) in 1988. It aims to  trade barrier among themselves. India is a member.

33.9.6 USA Reciprocal Trade Bill/Act (पारस्परिक व्यापार विधेयक / अधिनियम)

⇒ 2019: It was introduced in the American parliament (=US congress)

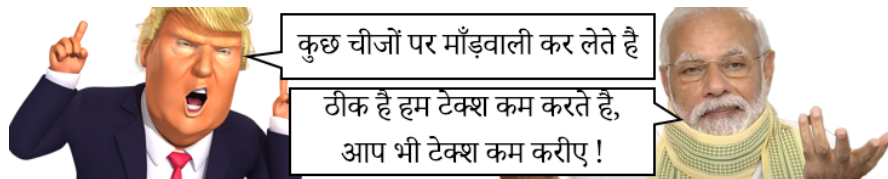
⇒ IF partner nation imposed a high level of tariff/non-tariff barriers on American products, then



- US President can unilaterally the taxes on imported products of that trading country. आयात होने वाली चीजों पर राष्ट्रपति कराधान बढ़ा सकते हैं
- US President can even 'undo' his commitment from the free trade agreements with that country. पुराने वचनों से मुकर सकते हैं

⇒ If the Intellectual Property Rights (IPR: बौद्धिक संपदा अधिकार) of American products are not respected/enforced in a country → US President can taxes on imported products from that country. +500 other things but poor cost benefit in chasing it.

33.9.7 India-USA limited trade deal (सीमित व्यापार सौदा)



- ⇒ 2020-Jul: India USA are negotiating for a 'limited trade deal' i.e. only for selected commodities taxes may be . Basically, they're looking for following
- ⇒ India should taxes on American farm & dairy products, pharmaceuticals, electronics etc
- ⇒ USA should taxes on Indian steel & Aluminium etc, and USA should restore India's name in the Generalized System of Preferences (GSP).

33.9.8 How does US/EU/China trade war impact India?

Previous economic surveys observed:

- ⇒ US's protectionism is targeted more towards Chinese goods than towards Indian services (IT/BPO) because of their local political / vote bank perception that Chinese manufacturing industries are more responsible for the loss of American jobs than Indian call-centres. So, India need not worry excessively.
- ⇒ Besides, Chinese tariffs on USA → opportunities for India to export its **soyabean, cars, medical equipment** to China. Commerce Ministry has recorded growth in over 300+ Indian exports including vulcanized rubber, paper, copper wires, electrodes, natural honey and pipes to China.
- ⇒ Similarly, USA's 25% import duty on Chinese seafood has made **American consumers shift** to Indian frozen shrimps which **don't attract such large duties in USA**. This has positively boosted India's **seafood exports**.
- ⇒ However, with the rise of nationalistic political groups (राष्ट्रवादी पक्ष) in the 1st world nations, India will face following challenges →
- ⇒ 1st world nations' local industrial groups keep pressuring their governments to impose more tariffs on **Indian fisheries, textile and pharma sectors**.
- ⇒ With the fall in (overall) exports of India, there has been a glut the supply of commodities in the domestic market, resulting into inflation levels falling below 3%. According to Phillips curve,



there is an inverse relationship between inflation and unemployment. This could pose a challenge to our economy in the days ahead. (महंगाई बहुत कम होगी तो बेरोजगारी बढ़ेगी)

⇒ 1st world nations tighten their visa / immigration policies = **NRIs suffer**. (Although positive in the sense it'll result into 'brain gain' for India, instead of 'brain drain' - says Mukesh Ambani!)

33.9.8.1 🛡️ **Protectionism / Trade War: Conclusion** (निष्कर्ष)

⇒ Protectionism has a mixed impact on Indian economic stability because while helped boosting Indian exports in some sectors (seafood & soybean), it has harmed the other sectors.

⇒ Protectionism will only hurt the US economy & Chinese economy in the long run.

⇒ So, after their initially machismo, both USA & China have softened their stand, and are trying to negotiate a way out of the present conundrum.

⇒ Hopefully, it will undo negative impact on Indian economy in the upcoming months.

⇒ शुरुआत में चीन और अमेरिका ने काफी गुस्सैल मिजाज के साथ संरक्षणवाद और व्यापारयुद्ध किया लेकिन अब दोनों को पारस्परिक नुकसान होने के बाद, अपना रुख नरम किया है और वह समझौता चाहते हैं

33.9.9 🗣️🇬🇧 **BREXIT = BRITAIN EXIT**



⇒ **1993:** Maastricht Treaty formed European Union, a political and economic union to allow easy movement of goods, services, citizens among themselves.

⇒ **2002:** EU introduced its common currency, Euro. Although Britain was an EU member, it continued with its own currency '**Pound Sterling**'.

⇒ Later, Britain's political parties campaigned that 1) migrant workers from other EU countries= job loss for local Britishers. 2) EU framework is harming our economic and foreign diplomacy interests. (यूरोप के प्रवासी मजदूरों के आगमन से ब्रिटिशों की नौकरी को खतरा, आर्थिक और विदेशी कूटनीति)

⇒ **2016:** Britain held a referendum (जनमतसंग्रह) & asked its citizens "whether the Britain should EXIT or remain in the European Union?" 52% voted yes, 48% voted no.

⇒ **2017:** Britain invokes Article 50 of Lisbon Treaty, which gives them 2 yrs timeframe to workout a deal for exit / divorce. e.g. What happens to UK citizens living elsewhere in the EU and EU citizens living in the UK etc. How much money Britain must pay to EU for leaving?

⇒ **2020-Jan-31st:** United Kingdom has officially left the European Union. However, in reality, till 31st Dec 2020, UK is under "Transition Period / Implementation Period (कार्यान्वयन अवधि)" During this transition time, most of the things will remain the same as before e.g. visa-travel/driving license etc. But, gradually 'divorce' will be implemented in phasewise manner. (धीरे-धीरे चरणबद्ध/क्रमिक रूप से रिश्ता खत्म किया जाएगा)



⇒ 2020-May: EU announced 750 billion euro (=826 billion\$) economic stimulus package.

Basically, the EU will borrow money from the market → give it to Member states in the form of loans and grants for reviving their economy. How? NOTIMP.

33.9.9.1 How does BREXIT affect India?

BREXIT creates both opportunities and challenges for India. (अवसरों और चुनौतियों का निर्माण)

We will have to rebuild / update our trade agreements with both parties separately.

⇒ With the rise of 'nationalism', 'protectionism' in Britain/EU → India's textile, pharma, automobile exports may get hurt. Although Britain may ease its travel & education visa norms to attract Indian students for their college fees.

⇒ EU planning to create a 'Digital Single Market by 2020' to cover digital marketing, E-commerce and telecommunications related services. Indian companies can provide backend services.

⇒ British goods will no longer get easy entry in EU, so they'll try to export more towards India - bcoz of India's rising middle class & their purchasing power. We can demand reciprocal treatment e.g. "we'll cut down tariff for your 'x' list of goods, if you do the same for 'y' list of Indian goods." (पारस्परिक रूप से यदि हम आपकी चीजों पे टेक्स कम करे तो आप भी हमारी चीजों पे टेक्स कम करे.)

⇒ Britain becomes 'free' of EU's foreign policies so it may come up with new initiatives for Palestine, Middle East, Afghanistan etc. and to keep India on board, Britain may give some concessions e.g. "Vote in favour of our 'x' resolution @UNGA & we'll cut down tariff on Indian goods by y% & will give a cheap infra. loan @z%". And so forth...

MCQ. The term 'Digital Single Market Strategy' seen in the news refers to (Asked in UPSC-Pre-2017)

- (a) ASEAN (b) BRICS (c) EU (d) G20

MCQ. 'Broad-based Trade and Investment Agreement (BTIA)' is in the context of negotiations between India and __ __ (Asked in UPSC-Pre-2017) (a) European Union (b) GCC (c) OECD (d) SCO

34 OTHER NOTABLE GROUPINGS RELATED TO ECONOMY

34.1 GROUPINGS: INDIAN SUBCONTINENT

SAARC, 1985	BIMSTEC, 1997
South Asian Association for Regional Cooperation दक्षिण एशियाई क्षेत्रीय सहयोग संघ	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) बहुक्षेत्रीय तकनीकी और आर्थिक सहयोग के लिए बंगाल की खाड़ी पहल



SAARC, 1985	BIMSTEC, 1997
HQ: Kathmandu, Nepal (1985)	Dhaka, Bangladesh (1997)
8: Afghanistan, Bangladesh, Bhutan, India, Nepal, Maldives, Pak & Sri Lanka.	7 members: Bangladesh, India, Myanmar, Sri Lanka, Thailand, Nepal and Bhutan.
<ul style="list-style-type: none"> - 2016: summit @Islamabad cancelled after India and others boycotted due to Uri attack. - Then no annual summits in 2017, 2018. Although 2019 summit is planned @Colombo, Sri Lanka. 	<ul style="list-style-type: none"> ⇒ Summits every four years. ⇒ 2018 summit @Kathmandu, Nepal. ⇒ Next will be in Colombo, Sri Lanka.

- SAFTA losing its shine as we learned in earlier section.
- India has setup South Asian University (SAU-2010) @ Delhi (2010) for SAARC students.
- India launched South Asia Communication Satellite (GSAT-9) in 2017 to provide tele-medicine, tele-education, banking, television broadcasting facilities to SAARC nations.
- 🌐🌐 2020-March: SAARC leaders organized video conference to fight Corona.
 - India proposed creation of a COVID-19 emergency (आपातकालीन निधि) fund & contributed \$10 million in it.

34.1.1 🌐🌐🌐 Mekong- Ganga Cooperation (2000)

India + five of the ASEAN countries, namely, Cambodia, Laos, Myanmar, Thailand and Vietnam. for cooperation in tourism, culture, education, transport, communications. (पर्यटन, संस्कृति, शिक्षा, परिवहन, संचार). Mekong river starts from China → flows through Myanmar, Laos, Thailand, Vietnam, Cambodia → drains in South China Sea.

34.2 🌐🌐🌐 GROUPINGS: ASEAN vs SCO

ASEAN	SCO
Association of Southeast Asian Nations : दक्षिण पूर्व एशियाई राष्ट्र संघ	Shanghai Cooperation Organization : शंघाई सहयोग संगठन
1969 → Bangkok declaration → HQ: Jakarta, Indonesia	<ul style="list-style-type: none"> - 2001 → HQ: Beijing, China. - Regional Anti-Terrorist Structure (RATS) @Tashkent, Uzbekistan
10 Members: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam.	<ul style="list-style-type: none"> - 6 founding members: Russia, China, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan. - +2 new members: India & Pak.
<ul style="list-style-type: none"> - 2018: marked the 25th Anniversary of ASEAN-India Dialogue Relation, their leaders were invited to India → Delhi declaration with the theme “Shared Values, Common Destiny” - Their 10 leaders also graced our 26th January 2018 Republic Day parade as chief guests. - 2019: Summit at Thailand’s capital Bangkok. 	<ul style="list-style-type: none"> ✓ 2017: SCO summit at Astana, Kazakhstan → India, Pak formally given membership. ✓ 2018: SCO summit at Qingdao, China resulted Qingdao declaration- a 3-year plan to combat terrorism. India refused to endorse China’s One belt one road (OBOR) policy in this summit. (More in Pillar5: Transport)



ASEAN	SCO
<p>Theme: Advancing partnership for sustainability. Result? Bangkok declaration against Marine Debris (समुद्रमें कचरा)</p> <ul style="list-style-type: none"> - 2020: Vietnam's Hanoi. Theme: "Cohesive and Responsive ASEAN" - 2021: Brunei's Bandar Seri Begawan. Theme: "We Care, We Prepare, We Prosper", 	<ul style="list-style-type: none"> ✓ 2019-June: SCO summit at Kyrgyzstan's capital Bishkek. Bishkek declaration major points: 1) condemn terrorism, 2) Settle Syrian issue with political dialogue, 3) roadmap to peace in Afghanistan through dialogues, 4) appreciated WTO ✓ 2020: Russia virtually hosted summit of "Head of State(e.g. India's president)". Separately 2020: India virtually hosted summits of 'heads of Govt' (HoGe.g. India's PM). PM Modi did not attend, VP Naidu played the host.

34.2.1 Afghanistan 6+2+1 group for redevelopment of Afghanistan

6: neighbouring countries: China, Iran, Pakistan, Tajikistan, Turkmenistan and Uzbekistan; + 2 global players the United States and Russia, and 1: Afghanistan itself.

34.3 GROUPINGS: OCEAN-RIM WALLA

Indian Ocean Rim Association (IORA); हिंद महासागर रिम/किनारा एसोसिएशन (IORA)	Asia-Pacific Economic Cooperation (APEC) एशिया-प्रशांत आर्थिक सहयोग
22 Indian Ocean rim nations. India is a member. China-USA are dialogue partners.	21 Pacific Rim ocean economies. India is not a member, China-USA are members.
Setup in 1997, HQ: Ebene, Mauritius	1989, HQ: Singapore
<ul style="list-style-type: none"> - 2018 council of ministers' meeting @S.Africa's Durban- established Mandela Scholarship, added Maldives as a member but blocked membership of Myanmar due to S.Africa's opposition. 	<ul style="list-style-type: none"> - 2018 summit @Port Moresby, Papua New Guinea. India is keen to become member but not yet added. - 2019 summit @Chile cancelled due to civilian unrest in the country.
2019 & 2020 self-update homework:	<ul style="list-style-type: none"> - 2020-Virtual summit adopted "Putrajaya Vision 2040" for economic cooperation and development partnership.

34.4 GROUPINGS: BRICS, OECD, OPEC, G20 & JAI

BRICS, 2009	<ul style="list-style-type: none"> - Brazil, Russia, India, China and South Africa. S.Africa joined later in 2011. - 2014: BRICS New Development Bank - 2018: summit @Johannesburg, S.Africa with theme "Collaboration for Inclusive Growth and Shared Prosperity" - 2019-Nov: summit @Brasilia, Brazil. Theme: "BRICS: economic growth for an innovative future".
--------------------	--



	<ul style="list-style-type: none"> - 2020: 12th BRICS summit @Saint Petersburg, Russia (held virtually)- theme “BRICS Partnership for Global Stability, Shared Security and Innovative Growth” - 2021: 13th BRICS Summit @India, along with BRICS Games 2021. <p>Role of secretariat is played by its pro tempore presidency, so accordingly, 2018: S.Africa. 2019: Brazil. 2020: Russia, 2021: India</p>
OPEC, 1961	<ul style="list-style-type: none"> - Organization of the Petroleum Exporting Countries: पेट्रोलियम निर्यातक देशों का संगठन- 1961 HQ@Vienna, Austria. - a group of oil producing countries Saudi, UAE, Venezuela, Iran, Iraq etc.... total 14 members. Qatar withdrew from 1/1/19. Russia is NOT a member.
OECD, 1961	<ul style="list-style-type: none"> - Organisation for Economic Co-operation and Development: आर्थिक सहयोग तथा विकास संगठन-1961 HQ@Paris, France. - Works for International cooperation in the matters of economy and taxation. Known for Base erosion and profit shifting (BEPS) Norms. India is not a member.
NAM 1961	<ul style="list-style-type: none"> - Non-Aligned Movement was founded under the leadership of Josip Broz Tito of Yugoslavia, Gamal Abdel Nasser of Egypt, Jawaharlal Nehru of India, Kwame Nkrumah of Ghana, and Sukarno of Indonesia. - They advocated 3rd world nations to abstain from allying with USA/USSR during Cold war. (शीत युद्ध के दौरान असंयुक्त रहने का आंदोलन) - Member nations are in Asia, Africa, Latin America, Caribbean, and Europe. - 2020-May: Online NAM contact group summit organized. Theme of "United against COVID-19". Chairman/Host: Azerbaijan. The group decided to form a task force against Corona.
G-20, 1999	<ul style="list-style-type: none"> - International forum for the governments and central bank governors from 19 countries and the 1 European Union namely, - Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Republic of Korea, Mexico, Russia, Saudi Arabia, South Africa, Turkey, UK, USA, EU - Annual summits: 2018@Buenos Aires-Argentina, 2019@Osaka-Japan, 2020-Nov@Saudi Arabia'sRiyadh, 2021@Italy's Rome,2022@Indoensia,2023@Delhi.
2+2	e.g. India Japan 2+2 = meeting of foreign minister & defense minister from each side.
JAI trilateral 2018	Prime Minister Narendra Modi, US President Donald Trump and Japan Prime Minister Shinzo Abe met in a trilateral format in the sidelines of G-20 Summit in Buenos Aires, Argentina. It was called the first-ever 'JAI' meeting. Objective? Economic growth, common prosperity-& harassment of UPSC aspirants.
QUAD	Quadrilateral Security Dialogue (चतुर्भुज सुरक्षा संवाद) is a strategic dialogue / group of political democracies, market economies and pluralistic societies. between the United States, Japan, Australia and India. (रणनीतिक संवाद, लोकतंत्र बाजार आधारित अर्थतंत्र और एकाधिकतत्त्ववादी समाजों का एक समूह)

BRICS Summit, 2020 will be hosted by (UPSC-CDS-i-2020)

- (a) India (b) China (c) Russia (d) Brazil

In which one of the following groups are all the four countries members of G20? (UPSC-Prelims-2020)

- (a) Argentina, Mexico, South Africa and Turkey (b) Australia, Canada, Malaysia and New Zealand



34.5 G20: OSAKA DECLARATION



2019-June: G20 summit @Osaka, Japan. Its declaration announced following points:

- We endorse G20 Fukuoka Policy Priorities on Aging society's Financial Inclusion. (बुजुर्गों का वित्तीय समावेशन)
- We affirm our support to G20/OECD Base Erosion and Profit Shifting (BEPS: कर बचाने के लिए मुनाफे का स्थानांतरण) Agreement;
- Financial Action Task Force (FATF, HQ: Paris, France) regulations against money laundering, terrorist financing. No safe haven to any economic offenders. (धन शोधन और आतंकी वित्तपोषण)
- We will work together to foster global economic growth using technological innovation, esp. Digitalization. (तकनीकी नवाचार, करके वैश्विक आर्थिक विकास को बढ़ावा देना।)
- Cross-border flow of data, information, ideas and knowledge generates higher productivity, greater innovation, and improved sustainable development. So, we'll encourage free flow of data to harness the opportunities of the digital economy.
- There should not be any restriction on companies from storing personal information, in foreign servers. Japanese PM Shinzo Abe called this initiative 'Data Free Flow with Trust' (DFFT: विश्वास के साथ डाटा का सीमापार मुक्त प्रवाह).
- ++ lot of lip service on Corruption, Labour, Women's Empowerment, Tourism, Agriculture, Global Health & Environmental Issues (भ्रष्टाचार, श्रम, महिला सशक्तिकरण, पर्यटन, कृषि, वैश्विक स्वास्थ्य और पर्यावरण के मुद्दे)

34.5.1 Osaka declaration: why India refused to sign

India, South Africa and Indonesia remained absent when G20 members formally signed Osaka declaration BECAUSE:

1. India believes that all of the countries must individually manage data. Otherwise MNCs will use data for their **commercial benefits**, **harming privacy** of citizens and sovereign interests of the States. (e.g. Huawei mobiles' send their data to China, they may be hacked by Government-sponsored hackers to spy on India.) व्यापारिक फायदे के लिए जनता के डाटा की चोरी, धांधली, निजता का हनन होगा.
2. Such free flow of data may be **misused for influencing public opinion** through targeted advertisements and articles on social media. (e.g. The alleged Russian hand in Trump's election.) चुनाव मतदान / जनमत को प्रभावित करने नागरिकों के निजी डाटा का दुरुपयोग
3. Data is a new form of wealth. So, this entire matter **should be discussed within WTO** and not outside of it. विश्व व्यापार संगठन के मंच पर इसकी चर्चा करो



34.5.2 ✍️ Conclusion (निष्कर्ष)

- ⇒ While India understands & appreciates the role of ICT in economic development & good governance. सूचना प्रौद्योगिकी का आर्थिक विकास और सुशासन में महत्व भारत समझता है
- ⇒ The issue of data flow requires a wider global cooperation without undermining an individual's privacy or a State's sovereign interests. व्यक्तिगत निजता, राष्ट्रों के संप्रभु हित
- ⇒ Considering these facets, **India has refused to sign the Osaka declaration** on cross border data flow (उक्त पहलुओं को देखते हुए सीमापार डाटा प्रवाह संधि पर हस्ताक्षर नहीं किया).

34.6 🌐🤝🏠 GROUPINGS LED BY GORA → G7 AND D10



34.6.1 🌐🤝🏠 G7 - Group of Seven (1975)

- ⇒ seven major developed countries: Canada, France, Germany, Italy, Japan, USA, UK.
- ⇒ 1997: Russia was added so it became G8 but then Russia annexed Crimea region of Ukraine to Russia was Expelled from this group so again it became G7 in 2014.
- ⇒ 2019: Summit @Biarritz, France. India was also invited to attend.
- ⇒ 2020: Summit was to be held @USA. But postponed due to Corona.
- ⇒ Trump proposed Australia, India, South Korea, Russia etc should also be invited at G7. Although the UK hates the idea of inviting Russia back. But, ball-by-ball notIMP.
- ⇒ Newspaper Columnists have gone crazier than usual, suggesting expansion of membership to G10 / G11 by adding above countries as new members.
- ⇒ 2021's Summit @Cornwall, UK. While India, South Korea and Australia are not members of G7, but their leaders are invited to attend.

34.6.2 🌐🤝🏠 D10: 5G club proposed by UK (2020)



- ⇒ UK proposed "D10" club of democratic partners including
 - G7 countries — UK, US, Italy, Germany, France, Japan and Canada
 - + 3 more plus Australia, South Korea and India
- ⇒ **Objective:** create supply chain for 5G equipment and technologies. To avoid relying on China/Huawei- for data security and data privacy. (5G उपकरण और प्रौद्योगिकियों के लिए आपूर्ति श्रृंखला= चीनी कंपनियों द्वारा डाटा चोरी का खतरा कम हो)



34.7 GROUPINGS: GCC VS OIC

Gulf Cooperation Council (GCC); खाड़ी सहयोग परिषद् (GCC)	Organisation of Islamic Cooperation (OIC) इस्लामिक सहयोग संगठन (OIC)
1981: HQ-Riyadh, Saudi Arabia	1969: HQ-Jeddah, Saudi Arabia
6 members: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the UAE	~50 Islamic countries from across of the world.
2017: some of these members have cut off diplomatic and business ties with Qatar.	2019-March: While India is not a member, but first time invited in OIC meeting as guest of honour. Sushma Swaraj attended @Abu Dhabi, UAE while Pakistan (OIC member) skipped the event in protest.

34.7.1 Kuwait Expat Bill (प्रवासी/विदेशी मजदूरों की संख्या का विधेयक)

- ⇒ Kuwait parliament working on an expatriates/ expat law' to  the number of foreigners in the country. India is worried because 1) this will reduce work-visa quotas for Indians. 2) Kuwait contributes \$4-5 billion dollar remittance to India, which may  If less number of Indians are allowed to work in Kuwait. (प्रेषित धन/परिजनों को भेजी गई रकम)
- ⇒ But, experts believe this draft law will not be passed/implemented because 1) Local population is not large to supply all laborers 2) locals are unwilling to do certain types of labour. (उनको छोटे काम करना पसंद नहीं)

34.7.2 Abraham Accords (2020-Sept)

- ⇒ UAE, Bahrain and Israel's Peace agreement for normalization of relations. (रिश्तों को सामान्य करने के लिए शांति समझौता) U.S. President Trump acted as mediator (मध्यस्थ की भूमिका)
- ⇒ Abraham = regarded as a prophet by both the Jewish and Islam.

34.8 MISC GROUPINGS / ORG → WORLD ECONOMIC FORUM (1971)

- ⇒ Not-for-profit think-tank in Cologny (a municipal area in Geneva), Switzerland. विश्व आर्थिक मंच-मुनाफा-रहित विशेषज्ञ समूह
- ⇒ Known for its annual summit at Davos resort in Switzerland where they invite selected world leaders, thinkers, NGOs and industrialists.
- ⇒ Davos Theme 2019: Globalization 4.0 in 4th industrial revolution
- ⇒ Davos Theme 2020: Stakeholders for a Cohesive and Sustainable World.
- ⇒ 2021-May: venue shifted to Singapore by Corona. Theme: "A Crucial Year to Rebuild Trust"
- ⇒ 2020: created global consortium for **digital currency governance**. (डिजिटल मुद्रा के प्रबंधन के लिए एक वैश्विक संघ)
- ⇒ Known for its annual reports: Global Competitiveness Report, Global Information Technology Report, Global Gender Gap Report, Global Risks Report, Global Travel and Tourism Report, Financial Development Report, Global Enabling Trade Report.



MCQ. Global Competitiveness Report is published by the ___ (UPSC Prelims-2020)

Codes: A) IMF B) UNCTAD C) World Economic Forum D) World Bank

34.9 MISC GROUPINGS / ORGANIZATIONS OTHERS

UN specialized agencies related to Economy संयुक्त राष्ट्र की विशिष्ट संस्थाएं	List not exhaustive: - UNCTAD: United Nations Conference on Trade and Development - UNDP: United Nations Development Programme known for its Human development report (more in pillar#6) - UNIDO: UN Industrial Development Organization - World Intellectual Property Organization (WIPO) - International Labour Organization (ILO) Their establishment years, HQ, reports etc. = KBC GK poor cost:benefit
Andean Community	Free trade area of South American countries of Bolivia, Colombia, Ecuador, Peru.
Mercosur	Southern Common Market of Argentina, Brazil, Paraguay, Uruguay + ANDEAN + other countries. However Venezuela was suspended in 2016.

34.10 EXPORT CONTROL / NON-PROLIFERATION REGIMES

बहुपक्षीय निर्यात नियंत्रण / अप्रसार व्यवस्था:

NSG 1974	Nuclear Suppliers Group (NSG: परमाणु आपूर्तिकर्ता समूह) is a group of countries that control the export of nuke materials, equipment and technology & aim to prevent its use in making nuclear bombs. - China is a member, India not a member yet due to China's objection.
Australia Group 1984	- Informal group that encourages members not to export chemical or biological weapons or technology. - China not a member, India became member (2018).
MTCR 1987	Missile Technology Control Regime (मिसाइल प्रौद्योगिकी नियंत्रण व्यवस्था) is an informal group that encourages members not to export missiles equipment, software, technology. - China not a member, India became member (2016)
Wassenaar Arrangement 1996	- Wassenaar is an area in Netherland. This arrangement (1996) requires members to be strict and transparent in the export of conventional arms and dual-use goods and technologies (e.g. Night Vision Googles). So they don't fall in the hands of terrorists and rogue states like N.Korea. - China not a member, India became member (2017)

34.10.1 USA Exit from Arms Treaties

1. 1987: Intermediate-Range Nuclear Forces (INF) treaty between USA-Russia during to prohibit development of missiles with ranges between 500 and 5,500 km. 2019: USA withdraws from it.
2. 1991: New Strategic Arms Reduction Treaty (New START) treaty between U.S. and Russia for reducing nuclear weapons. 2021: Treaty will expire.
3. 1992: Open Skies Treaty (OST) signed between NATO and Warsaw Pact countries to monitor/spy each other's territory through unarmed aeroplanes. 2020-May: USA wants to withdraw from it.
4. Self-study: CTBT, NPT: NCERT Class12 Political Science ch4: India's external relations



for more on IR annual summits, treaties, etc. for prelims study from PDF/Mags/Courses

34.10.2 Mock Questions for Mains GSM2 (Intl. Org Related to Economy)

Syllabus Topic: Important International institutions, agencies, for a (structure, mandate); Bilateral, Regional, Global groupings & Agreements (involving and/or affecting India)

- 1) Discuss the importance of membership to Shanghai Cooperation Organisation (शंघाई सहयोग संगठन) in furthering India's interests in the Central Asian region.
- 2) Why has India refused to sign the Osaka declaration-2019 on cross-border data flow? (भारत ने सीमा पार डेटा प्रवाह पर ओसाका घोषणा-2019 पर हस्ताक्षर करने से इनकार क्यों कर दिया है?)
- 3) "Concerns for the domestic industry has prevented India from joining RCEP agreement." Comment. "घरेलू उद्योगों की चिंता ने भारत को आरसीईपी समझौते में शामिल होने से रोक दिया है।" टिप्पणी करें.
- 4) Is India's decision to stay out of the RCEP agreement appropriate? Examine critically. क्या आरसीईपी समझौते से बाहर रहने का भारत का निर्णय उचित है? गंभीर रूप से समीक्षा कीजिए.
- 5) In 2018, the 25th Anniversary of ASEAN-India Dialogue Relations was commemorated under the theme of "Shared Values, Common Destiny". In what areas do India and ASEAN nations share common values and common destiny? साझा मूल्य, समान भाग्य किन क्षेत्रों में?
- 6) "The USA-China and USA-EU trade wars present new sets of threats and opportunities for India." Examine. व्यापार युद्ध ने भारत के लिए नए खतरे और नए अवसर पैदा किए हैं
- 7) (Asked-in-GSM3-2018) How would the recent phenomenon of protectionism and currency manipulations in world trade affect macroeconomic stability of India? विश्व व्यापार में संरक्षणवाद और मुद्रा जोड़तोड़ की हालिया घटना भारत की व्यापक आर्थिक स्थिरता को कैसे प्रभावित करेगी?
- 8) (Asked-in-GSM2-2018) What are the key areas of reform if the WTO has to survive in the present context of 'Trade War', especially keeping in mind the interest of India? यदि विश्व व्यापार संगठन को 'व्यापार युद्ध' में बचकर रहना है तो क्या प्रमुख सुधार करने होंगे? विशेष रूप से भारत के हित को ध्यान में रखते चर्चा कीजिए।
- 9) (Asked-in-GSM2-2014) The aim of Information Technology Agreements (ITAs) is to lower all taxes and tariffs on information technology products by signatories to zero. What impact should such agreements have on India's interests? सूचना प्रौद्योगिकी समझौतों से भारत के हितों पर क्या प्रभाव होना चाहिए?
- 10) (Asked-in-GSM2-2014) WTO is an important international institution where decisions taken affect countries in profound manner. What is the mandate of WTO and how binding are their decisions? Critically analyse India's stand on the latest round of talks on Food security. विश्व व्यापार संगठन का जनादेश क्या है और उनके फैसले कितने बाध्यकारी हैं? खाद्य सुरक्षा पर नवीनतम दौर की वार्ता में भारत के रुख का गंभीर रूप से विश्लेषण करें।
- 11) (Asked-in-GSM2-2014) India has recently signed to become founding a New Development Bank (NDB) and also the Asian Infrastructure Investment Bank (AIIB). How will the role of the two Banks be different? Discuss the significance of these two Banks for India. दोनों बैंकों की भूमिका अलग कैसे होगी? भारत के लिए इन दोनों बैंकों के महत्व पर चर्चा करें।
- 12) (Asked-in-GSM2-2013) The World Bank and the IMF, collectively known as the Bretton Woods Institutions, are the two inter-governmental pillars supporting the structure of the world's economic and financial order. Superficially, the World Bank and the IMF exhibit many common characteristics, yet their role, functions and mandate are distinctly different. Elucidate. सतही तौर पर, विश्व बैंक और आईएमएफ कई सामान्य विशेषताओं को प्रदर्शित करते हैं, फिर भी उनकी भूमिका, कार्य और जनादेश अलग-अलग हैं। स्पष्ट कीजिए
- 13) (Asked-in-GSM2-2020) 'Quadrilateral Security Dialogue (Quad)' is transforming itself into a trade bloc from a military alliance, in present times - Discuss. ('चतुर्भुजीय सुरक्षा संवाद (क्वाड)' वर्तमान समय में स्वयं को सैनिक गठबंधन से एक व्यापारिक गट में रूपांतरित कर रहा है - विवेचना कीजिए)