



24 PILLAR #3B: BRETTON WOODS ORGANIZATIONS

ब्रेटन वुड्स सम्मेलन was held in Bretton Woods town, New Hampshire in USA after the WW2 (1939-45) to restore the global economy. Total 44 nations participated, incl. India. It proposed 3 international institutions:

1. _____ (IBRD), commonly known as World Bank.
2. International Monetary Fund (IMF).
3. (Proposed) International Trade Organisation (ITO). But could not materialize due to American opposition. Instead, the countries later setup GATT → WTO.

While World bank and IMF are considered “*Specialized Agencies of UN (संयुक्त राष्ट्र की विशिष्ट एजेंसियां)*”, the WTO is considered “*Related organization of UN (संबंधित संगठन)*” because it doesn’t fulfill all requirements of UN charter on specialized agencies.

24.9 BRETTON WOODS → 1) WORLD BANK, WASHINGTON, 1944

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

1) International Bank for Reconstruction and Development (IBRD) अंतरराष्ट्रीय पुनर्निर्माण और विकास बैंक	Commonly known as the world bank. Gives development loans with interest.
2) International Development Association (IDA) अंतरराष्ट्रीय विकास संघ	Assists the poorest countries through interest-free long-term loans (= “Concessional Loans: रियायती ऋण” or “soft loans”).
3) International Finance Corporation (IFC) अंतरराष्ट्रीय वित्त निगम	supports private enterprise in developing countries. Known for its _____ Bonds.
4) Multilateral Investment Guarantee Agency (MIGA) 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) International Centre for the Settlement of Investment Disputes (ICSID) निवेश संबंधी विवादों के निपटान का अंतरराष्ट्रीय केन्द्र	Helps in dispute resolution related to foreign investment / foreign companies in 3rd world countries.

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.
- Fifth is a “dispute settlement” body, so the concept of ‘each country’s voting power’ does not apply to it.

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) given 5 years tenure, but resigned at 2019-Feb. New President: _____ (Update new name when it’s announced).

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



24.10 (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 →

24.10.1 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, ~70 nations as of 2019.
Voting power	Each member is given equal _ _ _ _ voting power.	Based on share capital provided. China ~27%, India ~7%. Asian countries control about 75% voting.
HQ	_____ , China	Beijing, China

- 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: NPA handout), and BRICS rating agency (ref: SEBI-Share Market handout)

24.10.2 Multilateral Development Banks → Others

BIS: Bank for International Settlements	<ul style="list-style-type: none"> - 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.
African Development Bank	<ul style="list-style-type: none"> - 1964: setup in Abidjan in Ivory Coast - India is a member, also gets loans.
Asian Development Bank (ADB)	<ul style="list-style-type: none"> - 1966: setup in Manila, Philippines - India is a member, also gets loans.
European Bank for Reconstruction & Development (EBRD) पुनर्निर्माण और विकास के लिए यूरोपीय बैंक	<ul style="list-style-type: none"> - 1991: setup at London. - India became member (shareholder) in 2018. India will not be eligible for loans from EBRD but India can initiate joint investment proposals in Asian, African, European nations for its soft-diplomacy.

MCQ. Consider the following statements:(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.

Which of the statements given above is/ are correct?

- (a) 1 only (b) 2 only
(c) Both 1 and 2 (d) Neither 1 nor 2



24.11 BRETTON WOODS → 2) IMF, WASHINGTON, 1945

- International Monetary Fund (IMF: अंतर्राष्ट्रीय मुद्रा कोष) helps in global currency exchange stability, helps against balance of payment crisis.
- 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 Chief?** Christine Lagarde (France).
- **IMF' Chief Economist (CE)?** _____, 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.
- Notable reports? Global Financial Stability Report, _____
- United Nations (UN) has 195 members, whereas IMF has 189 members. But pursuing this type of KBC GK = poor cost:benefit for UPSC

MCQ. 'Global Financial Stability Report' is prepared by the(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

24.12 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 materialise → 1948: _____ (GATT: टैरिफ/शुल्क और व्यापार के लिए सामान्य समझौता) was setup.
- Uruguay Round of GATT negotiations decided to set up a permanent institution which can encourage international trade not only in goods, but also in services and Intellectual Property Rights (IPR: बौद्धिक संपदा अधिकार) → Marrakesh treaty (1994) → WTO started functioning from 1/1/1995 at Geneva, Switzerland. India is a founding member.



25 WORLD TRADE ORGANIZATION: विश्व व्यापार संगठन

WTO structure consists of →

Ministerial Conference मंत्री सम्मेलन	<ul style="list-style-type: none">✓ Supreme Decision Making body✓ Meets once every _ _ _ _ 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: महानिर्देशक to look after administrative work. Presently: Roberto Azevêdo (Brazil)
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><i>has two bodies, with separate chairmen</i></p> <ol style="list-style-type: none">1. Dispute settlement body: विवाद निपटान निकाय2. 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>

25.9 WTO → FUNCTIONS

From the 16th to 18th century, economists believed in _ _ _ _ _ Theory: व्यापारी सिद्धांत i.e. The amount of wealth in the world is static. A nation's wealth and power were best served by increasing exports and receiving payments in gold, silver and precious metals. 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.

In 19th century, Economist David Ricardo gave “_ _ _ _ _ Theory”: "तुलनात्मक लाभ सिद्धांत" i.e. countries will engage in trade with one another, exporting the goods that they have a relative advantage in productivity e.g. France should export Champagne & wines to import readymade clothes from England's Manchester (instead of France trying to produce those clothes by itself, which would prove more costly than importing from Manchester.)

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

25.9.1 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.
Custom Duty is a tax imposed on imports and exports of goods.



CVD	Anti-Dumping Duty: प्रतिपादन शुल्क
<ul style="list-style-type: none"> - When a foreign country is giving subsidies to their exporters, such product will be sent cheap to India and domestic industry cannot compete with it in terms of price. - Similarly, when Indian government imposes higher amount of taxes, cess or surcharge on the locally manufactured products, then imported items will automatically appear cheaper. - In such scenarios, Indian Govt tries to protect local (domestic) industry by imposing Countervailing Duty: प्रतिकारी शुल्क (CVD), Special Countervailing Duty, Additional Customs Duty. 	<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 महानिर्देशालय (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 domestically manufactured India Steel, thus Indian steel industry will be protected.
These duties have been removed in India. Now imported items are subjected to Basic Duty + social welfare surcharge.	Not yet abolished in India. They're imposed subjected to WTO norms.

25.9.2 _____ against international trade

गैर टैरिफ बाधाएं: if Trump 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 American 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.
4. **Quota system:** e.g. not more than 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. Prominent disputes involving India vs USA are

1. 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)
2. 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).

There are total 7 such sectors where India and USA are fighting at WTO.

25.10 WTO → NOTABLE AGREEMENTS

Primary Objective	Agreement(s)
Reduce the tariff barriers	<ol style="list-style-type: none"> 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
Reduce the non tariff barriers	<ol style="list-style-type: none"> 1. For non-food: Agreement on Technical Barriers to Trade (TBT: व्यापार में तकनीकी बाधायें) 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. food item must not have more than y% pesticides residue.
Reduce non tariff barriers → Subsidies	<ol style="list-style-type: none"> 1. For non-food: Subsidies and Countervailing Measures (SCM:सब्सिडी और काउंटरवेलिंग उपाय) 2. For food: Agreement on Agriculture (AoA: कृषि पर समझौता)- which aims to regulate the subsidies on agriculture through its 'box' mechanism. <ol style="list-style-type: none"> a. Subsidies that are classified in _____ box category- are allowed (e.g. Research, Cattle-Vaccination). whereas b. Amber (एम्बर) box category subsidies will be subjected to quantitative limits (e.g.Fertilizer, Electricity, Diesel, MSP.)
Misc. measures to encourage global trade	<ol style="list-style-type: none"> 1. _____ (TRIPS: बौद्धिक संपदा अधिकारों के व्यापार-संबंधित पहलू) 2. Trade-Related Investment Measures on Foreigners. (TRIMs: विदेशियों पर व्यापार से संबंधित निवेश के उपाय) 3. Misc. plurilateral agreements (बहुपक्षीय समझौते): Which are not signed by all the members e.g. Agreements on aircrafts, dairy product, bovine meat, Information Technology Agreement (ITA)

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', 'Agreement on the Application of Sanitary and Phyto-sanitary Measures' and 'Peace Clause' appear in the news frequently 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

25.11 WTO NEGOTIATIONS / SUMMITS / PACKAGES

25.11.1 _____ (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 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 hiked the customs duty by 200% on goods originating from Pakistan.

MCQ. The 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

25.11.2 _____ (LDC)

- सबसे से कम विकसित देश are identified by the UN Economic and Social Council: संयुक्त राष्ट्र आर्थिक और सामाजिक परिषद (ECOSOC).
- Somaliya, Ethiopia, Congo, Central African Republic, Bhutan, Bangladesh etc.
- Least Developed Countries' economic growth can improve 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", Because Japan is not an 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.



2. Second world countries= USSR and its neighbouring European countries which were under the influence of Communist Socialist ideologies. However the term has become defunct with the collapse of USSR.
3. Third world countries, developing countries, Emerging market economies (EME)= India China, Mexico, Brazil etc.

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

25.11.3 Doha Development Round (Qatar)

In WTO's "Doha development agenda" (2001) negotiations, the 3rd world countries want that:

- ✓ 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.
- ✓ 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.
- ✓ 1st world should give financial and technical assistance to 3rd world.

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.

25.11.4 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 in 1986
- But in 1986 Rajiv-Gandhi-era India's agricultural production was far lower than USA so even 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 Government support in the form of subsidies and procurement at Minimum support prices. India also has a large number of malnourished poor families who need subsidized food grains under National Food Security Act.
- 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, "you may continue to give as much subsidy for your food programs. If USA/any other country challenges your food subsidies@WTO's dispute settlement platforms, we'll not hear their petition." यानि की दे धनाधन सब्सीडी दो और मौज करो.

25.11.5 Bali Package & Trade Facilitation Agreement / TFA (2013)

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

1. **Trade Facilitation Agreement: व्यापार सुविधा समझौता (TFA):** It requires the member countries to reduce their bureaucratic delays, red tapes, inspector raj in import-export of goods. They've setup online portals where traders can seek permissions, pay fees,



custom duties, self declaration forms (*like e-way bill*) etc. India & others ratified in 2016 → TFA became effective from 2017. India set up a National Committee on Trade Facilitation (NCTF) under _____ (IAS). Below him, there is a steering committee jointly headed by Revenue secretary (IAS) and Commerce secretary (IAS).

2. Peace Clause on subsidies → explained above.

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

25.11.6 _____ & 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. This will be called " _____: 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. We'll try to get more members sign this, so global IT-trade can increase.
5. Technical reforms to help the exports from Least Developed Countries (LDC).

25.11.7 Buenos Aires Summit #flop (2017)

The 11th WTO Ministerial conference 2017 @Buenos Aires, Argentina failed to deliver any notable and substantial package because :

1. Food subsidy related reforms remained inconclusive because neither India-China nor USA-EU were willing to compromise. So, in reality 'Peace clause' is extended for infinite period- 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 but India-China opposed that such agreements will benefit 1st world countries more (because they've amazon, walmart, facebook etc) than 3rd world. India 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.

The next conference will be held at Kazakhstan's _____ (2020).

MCQ. Consider the following 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. Which of the statements given above are correct?

- (a) 1, 2 and 3 (b) 2, 3 and 4 (c) 1, 2 and 4 (d) 1 and 3 only

25.12 TRADE AGREEMENTS TYPES: व्यापार समझौते के प्रकार

- Partial Scope Agreement (PSA: आंशिक व्यापकता समझौता):** Trade between two countries for a small list of goods @reduced tariffs.
- Preferential Trade Agreement (PTA: अधिमानी व्यापार समझौता) / Free Trade Agreement (FTA: निःशुल्क व्यापार समझौता):** Member= lower tariff; non-members: regular tariff.
 - All FTAs are not same. Tariff and list of allowed goods/services could vary depending on country to country.
 - Depending on number of participants it can be bilateral or multilateral or regional or global (e.g. WTO).
 - If countries go further beyond just lower tariffs e.g. relaxed norms for entry of foreign investment and foreign workers, then it becomes CEPA = Comprehensive Economic partnership Agreement or CECA = Comprehensive Economic Cooperation Agreement. CEPA vs CECA Internal difference not important.
- Customs Union (CU: सीमा शुल्क संघ):** FTA in which members apply a common external tariff (CET) for non- members. E.g. Caribbean Community (CARICOM)
- Common Market (CM: सामान्य बाजार):** Customs union where factors of production (capital, labour) can move freely amongst members e.g. MERCOSUR- S.America.
- 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.

25.13 FREE TRADE AGREEMENTS → TPP, TATIP, RCEP

25.13.1 _____ (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.
- 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.

25.14 _____ (TTIP)

अंतर-एटलांटिक 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.
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.
3. USA wants EU nations to cut down the subsidies and preferences given to EU's state owned enterprises (SOE) / PSUs. The EU civil rights / labour rights group fear it will lead to privatisation of health, education, and insurance companies which will cause unemployment of PSU-workers, and when pvt.MNCs are providing such essential services it'll become unaffordable for many poor citizens.

USA had been lobbying for TPP and TTIP because USA is disillusioned 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 materialised, it'd harm Asian economies exports towards US/EU so to compensate that loss, Asian economies came up with their own idea RCEP....

25.14.1 ----- (RCEP)

व्यापक क्षेत्रीय आर्थिक साझेदारी is a proposed agreement between

- 10-ASEAN countries viz. Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam.
- +6 FTA partners of ASEAN viz. Australia, China, India, Japan, South Korea, NZ
- Objective? Reduce tariff on goods and services; encourage investments, economic and technical cooperation, protect Intellectual Property Rights etc.
- Update? 2019-March: The 7th round of RCEP negotiation was held @Siem Reap city in Cambodia → members agreed to finish negotiations and conclude the treaty by the end 2019 itself.

Economic survey 2015-16 observed that

- India has signed 40+ trade agreements with various countries, our global trade has improved but more on import side than export side.
- RCEP, TTIP, TPP are mega regional agreements that will undermine the WTO processes. India must prepare for this changing world. India should shed its "big but poor" dilemma- i.e. We've to grow up from the mentality that "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!" It's for this reason, India-European Broad-Based Trade and Investment Agreement (BTIA) is not reaching conclusion. International trade is a give-and-take relationship we've to reduce our trade barriers only then we can expect them to reduce their trade barriers.

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



25.14.2 Trade agreements losing shine → NAFTA & SAFTA

NAFTA 1994	<ul style="list-style-type: none"> - 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	<ul style="list-style-type: none"> - ----- : दक्षिण एशियाई मुक्त व्यापार क्षेत्र (SAFTA) 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.

25.15 BURNING ISSUES IN INTERNATIONAL TRADE

25.15.1 Protectionism, Trade war: संरक्षणवाद, व्यापार युद्ध

- Protectionism means the use of tariff and non tariff barriers to protect the local industry against foreign competition.
- Trade war happens when two / more nations attack each other's exports through tariff and non tariff barriers.
- 2017: USA had \$375 billion trade deficit with China. Cheap import from China → domestic American manufacturers suffer. US companies 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 equipments & vehicles.
- Both also filled complaints against each other at WTO.
- EU also making similar protectionist moves against China and India.

25.15.2 USA's ----- report

- Annual report that lists the countries who are harming the Intellectual Property Rights: 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 the classification, USA will complaint to WTO and / or spend money on those countries to reduce the 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.

25.15.3 USA's ----- (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 and 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 reduce the trade barrier among themselves. India is a member.

25.15.4 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 equipments to China.
- Nonetheless, India has also retaliated by hiking the tariffs on imported American and Chinese products.

However, with the rise of nationalistic political groups 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.
- 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!)

25.15.5 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.
- 2016: Britain held a referendum & 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 ____ Treaty, which gives them 2 years 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 does Britain must pay to EU for leaving?
- So, accordingly Britain is scheduled to leave @+2 years= 29th March 2019. But there is internal political bickering among British parliamentarians on the terms of exit deal.



25.15.5.1 How does BREXIT affect India?

BREXIT creates both opportunities and challenges for India. 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 is 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 - because of India's rising middle class & their growing 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."
- 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 sometimes seen in the news in the context of negotiations between India and __ (Asked in UPSC-Pre-2017)

- (a) European Union (b) GCC (c) OECD (d) SCO

26 OTHER NOTABLE GROUPINGS RELATED TO ECONOMY

26.9 GROUPINGS: INDIAN SUBCONTINENT

SAARC, 1985	BIMSTEC, 1997
----- -----; 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
HQ: -----, 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. 	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 (_____) in 2017 to provide tele-medicine, tele-education, banking and television broadcasting facilities to SAARC nations.

26.10 GROUPINGS: ASEAN vs SCO

ASEAN	SCO
_____ : 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: _____, 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. 	<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.

26.11 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 summit @S.Africa’s Durban where they 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.



26.12 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. - 2016 BRICS New Development Bank - 2018 summit @Johannesburg, S.Africa with theme “Collaboration for Inclusive Growth and Shared Prosperity” - 2019 summit @Curitiba, Brazil. - Role of secretariat is played by its pro tempore presidency 2018: S.Africa. 2019: Brazil
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 a member.
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. Setup in 1999. - Annual summits: 2018@Buenos Aires-Argentina, 2019@Osaka-Japan....2022@Delhi.
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 and common prosperity.

26.13 GROUPINGS: GCC vs OIC

Gulf Cooperation Council (GCC); खाड़ी सहयोग परिषद (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 United Arab Emirates.	~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.



26.14 MISC GROUPINGS / ORGANIZATIONS

UN specialized agencies related to Economy	<p>List not exhaustive:</p> <ul style="list-style-type: none"> - 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) <p>Their establishment years, HQ etc. = KBC GK poor cost:benefit</p>
World Economic Forum, 1971	<ul style="list-style-type: none"> ➤ Not-for-profit think-tank in Cologny (a municipal area in Geneva), Switzerland. ➤ Known for its annual summit at Davos resort in Switzerland where they invite selected world leaders, thinkers, NGOs and industrialists. ➤ 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.
Andean Community	Free trade area of the the South American countries of Bolivia, Colombia, Ecuador, and Peru.
Mercosur	Southern Common Market of Argentina, Brazil, Paraguay, Uruguay + ANDEAN + other countries. However Venezuela was suspended in 2016.

26.15 EXPORT CONTROL / NON-PROLIFERATION REGIMES;

बहुपक्षीय निर्यात नियंत्रण / अप्रसार व्यवस्था

While not related directly to economy, but they control the 'buying & selling' of bombs!

NSG 1974	<ul style="list-style-type: none"> - 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	<ul style="list-style-type: none"> - Informal group that encourages members not to export chemical or biological weapons or technology. - China not a member, India became member (2018).
MTCR 1987	<ul style="list-style-type: none"> - 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	<ul style="list-style-type: none"> - 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. So they don't fall in the hands of terrorists and rogue states like N.Korea. - China not a member, India became member (2017)



Many other topics related to IR annual summits, treaties etc for prelims self-study from PDF/Mags.

26.16 MOCK QUESTIONS FOR MAINS GSM2

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. In 2018, the 25th Anniversary of ASEAN-India Dialogue Relations was commemorated under the theme of "Shared Values, Common Destiny (साझा मूल्य, समान भाग्य)". In what areas do India and ASEAN nations share common values and common destiny?
3. "The USA-China and USA-EU trade wars (व्यापार युद्ध) present new sets of threats and opportunities for India." Examine.
4. 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? (Asked-in-GSM2-2018)
5. 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? (Asked-in-GSM2-2014)
6. 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. (Asked-in-GSM2-2014)
7. 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. (Asked-in-GSM2-2014)
8. 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. (Asked-in-GSM2-2013)