

CHAPTER

8

WORLD TRADE ORGANISATION

Chapter Outline

- (A) General Agreement on Tariffs and Trade (GATT);
- (B) Establishment of World Trade Organisation;
- (C) The Uruguay Round Package;
- (D) Organisational Structure of the WTO;
- (E) WTO and Anti-dumping Measures;
- (F) WTO – The Third Pillar in the Global Business;
- (G) Ministerial Conferences of the WTO;
- (H) India and the WTO.

Learning Objectives

After studying this chapter, you should be able to –

- Describe the limitations of GATT and how Dunkel's proposals led to the formation of WTO;
- Analyse the comprehensive package of Uruguay Round of GATT;
- Understand how the activities, functions and operations of WTO are organised;
- Discuss how the M-F-N clause resulted in dumping and the anti-dumping measures imposed by member countries;
- Know the outcome of the first two ministerial meetings of the WTO and the reasons responsible for the failure of the third meeting;
- Analyse the role of India in WTO.

"The only fence against the world is a thorough knowledge of it."

♦ INTRODUCTION

The entire world is one country for the business. Erasing national, political boundaries for the purpose of business can be termed as globalisation. In other words, integration of the economy of a country with the rest of the world economy is called globalisation. Globalisation implies opening up the economy for foreign direct investment by liberalising the rules and regulations by creating favourable and encouraging industrial climate.

Indian government globalised economy by announcing economic liberalisation in 1991.

The steps taken by the Government of India helped the country to integrate the Indian economy with the rest of the global economy. In fact, the seeds for an integrated global economy were sown as early as 1940s when steps were taken to establish International Monetary Fund, International Bank for Reconstruction and Development, General Agreement on Tariffs and Trade and the like.

Now, we shall discuss briefly the establishment of GATT and its transformation into the World Trade Organisation.

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(A) GENERAL AGREEMENT ON TARIFFS AND TRADE (GATT)

The prolonged recession before the World War II in the West was due to the decades of protectionism followed by the industrialised countries. This led to conduct of negotiations in 1947 among 23 countries in order to prevent the protectionist policies and to revive the economies from the recession. These negotiations of the conference resulted in the General Agreement on Tariffs and Trade (GATT) among the participating countries. Thus, GATT has its origin in 1947 at a conference in Geneva. Exhibit 8.1 presents GATT and the birth of the WTO.

The objectives of GATT are:

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- » to raise standard of living.
- » to ensure full employment and a large and steadily growing volume of real income and effective demand.
- » to develop the full use of the resources of the world, and
- » to expand production and international trade.

Several rounds of negotiations were held since the inception of GATT. The nature of the negotiations in the rounds during 1947 to 1960 was tariffs. The negotiation in other rounds included anti-dumping measures, etc. The significant round is the Uruguay round of 1986. The nature of the issues in this round included bringing agricultural and protection of intellectual property rights under GATT.

♦ URUGUAY ROUND AND DUNKEL PROPOSALS

Uruguay round of multilateral trade negotiations was initiated in September 1986 and concluded on the 15th September, 1993. Mr. Arthur Dunkel, the then Director General of GATT submitted a proposal on the 20th December, 1991 popularly known as Dunkel Proposals which envisages trade liberalisation in many areas like trade related investment measures (TRIMs), trade related intellectual property rights (TRIPs), other services, textiles, clothing and agriculture subsidies. These proposals were discussed in the final round of GATT. This round of negotiation covers a wide range of subjects like subsidies, safeguards, trade related intellectual property rights (TRIPs), trade related investment measures (TRIMs) and trade services. An agreement regarding multilateral trading system was finally signed in the Marrakesh, Morocco, on 15th April, 1994.

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- to ensure full employment and a large and steadily growing volume of real income and effective demand.
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- to expand production and international trade.

The World Trade Organisation (WTO) was established to implement the final Act of Uruguay Round agreement of GATT.

(B)

ESTABLISHMENT OF WORLD TRADE ORGANISATION (WTO)

Governments of the member countries of GATT concluded the Uruguay round negotiations on the 15th December, 1994. The Ministers expressed their political support to the outcome of the meeting by signing the Final Act in Marrakesh, Morocco on the 15th April, 1994. According to the Marrakesh declaration, the results of the Uruguay round would, "strengthen the world economy and lead to more trade, investment, employment and income growth throughout the world".

WTO's membership increased from 104 as on 1st January, 1995 to 153 as on 31st March, 2011.

In order to implement the final Act of Uruguay round agreement of GATT the World Trade Organisation (WTO) was established on January 1, 1995. (See Exhibit 8.1).

• • • • • GATT AND WTO

1947: **The Birth of GATT.** On 30th October, 1947, the General Agreement on Tariffs and Trade (GATT) was signed by 23 nations.

1948: **Entry into force.** On 1 January, 1948, GATT came into force.

1949: **Second Round at Annecy.** During the second Round of trade negotiations, held from April to August at Annecy, France, the contracting parties exchanged some 5,000 tariff concessions.

1950: **Third Round at Torquay (UK).** From September 1950 to April 1951, the contracting parties exchanged some 8,700 tariff concessions in the English town, yielding tariff reduction of about 25 per cent in relation to the 1948 level.

1956: **Fourth Round at Geneva.** The fourth round was completed in May and produced some \$2.5 billion worth of tariff reduction.

1960: **The Dillion Round.** The fifth Round opened in September and was divided into phases: the first was concerned with negotiations with EEC member states for the creation of a single schedule of concessions for the Community based on its Common External Tariff; and the second was a further general round of tariff negotiations.

1961: **The Short-term Arrangement,** covering cotton textiles, was agreed as an exception to the GATT rules.

1964: **The Kennedy Round.** Meeting at Ministerial level, a Trade Negotiations Committee formally opened at Kennedy round in May.

1965: **A New Chapter.** The early 1960s marked the accession to the General Agreement of many newly-independent developing countries. In February, the Contracting parties, meeting in a special session adopted the text of part IV on Trade Development.

1973: **The Tokyo Round.** The seventh round was launched by Ministers in September at the Japanese capital. Some 99 countries participated in negotiating a comprehensive body of agreements covering both tariff and non-tariff matters.

1974: **The Arrangement Regarding International Trade in Textiles,** otherwise known as the Multifibre Arrangement (MFA), entered into force on 1st January, 1974.

1986: **The Uruguay Round.** GATT trade ministers met at Punta de Este, Uruguay, to launch the eighth round of trade negotiations on 20 September. Envisaged to last four years, negotiations were held in Geneva, Switzerland, and continued for some seven-and-a-half years covering the most wide-ranging and ambitious agenda of any round so far.

1993: **Successful Conclusion of the Uruguay Round,** negotiations on 15th December, 1993 in Geneva, Switzerland.

1994: **The Final Act of the Uruguay Round** signed by Ministers on 15th April, 1994 in Marrakesh, Morocco. Results included average cuts of 40% on industrial products; an average increase in the percentage of tariff binding from 21% to 73% (from developing countries), from 78% to 99% (for developed countries), and from 73% to 98% (for transaction economies); a comprehensive programme of agriculture reform, including liberalisation commitments on tariffs, domestic support and export subsidies, and the replacement of all quantitative restrictions and other non-tariff measures by tariffs, etc. The Uruguay round results also transformed the provisional multilateral trading system which had existed under GATT into the permanent World Trade Organisation with a significantly strengthened legal mechanism for resolving trade disputes multilaterally.

1995: **World Trade Organisation came into force** on January 1, 1995. On May 31, 1995, the WTO General Council approved the Headquarters Agreement with the Swiss Confederation, including the decision to locate the WTO in Geneva. Financial Services accord reached on 28th July, 1995, with governments agreeing to negotiate a multilateral convention at the end of 1997.

1996: Basic Telecommunications Negotiations are suspended in May 1996 in spite of substantial offers. Governments participating agreed to preserve the offer and to re-examine them during a 30-day period beginning 15th January, 1997. Maritime Transport Services Negotiations suspended in July 1996. Members participating agreed to suspend the negotiations and to resume them, on the basis of existing or improved offers, at the time of the further round of comprehensive negotiations on trade in services mandated to begin in the year 2000.

First WTO Ministerial Conference held in Singapore, 9-13 December, 1996. Among the major conclusions of the Conference was the establishment of three working groups, respectively, on trade and investment, trade and competition policy, and transparency in government procurement, plus a mandate to conduct a study on trade facilitation.

1997: **Successful Conclusion of Negotiations on Basic Telecommunications Services:** On 26th March, 1997, fourty governments agreed to cut customs duties on information technology products by 2000. **Successful conclusion of negotiations on financial services** on 12th December, 1997. Seventy governments reached a multinational agreement to open their financial services sectors, covering more than 95 per cent of trade in banking, insurance, securities and financial information.

1998: The second ministerial meeting of the WTO was held at Geneva. A decision was taken to set up a mechanism to ensure full and faithful implementation of existing multilateral agreements.

1999: The third ministerial meeting was held at Seattle, USA. This meeting was a failure as the developing countries jointly protested against the lack of transparency and imposition of views of the rich on the poor countries.

2001: The fourth ministerial meeting was held at Doha (Qatar) in Novemenber, 2001. Implementation related issues and concerns, TRIPs agreement and public health, statement on subsidies and labour issues have been taken up in this meeting.

2002: Guidelines to import cheaper drugs were formulated.

2003: WTO allowed the least developed countries and import cheap drugs to fight killer drugs.

The fifth ministerial meeting was held at Cancun (Mexico) in September 2003. This meeting was a failure as no decision could be made.

2004: Decision adopted by the General Council based on Doha and Cancún ministerial conferences relating to agriculture, cotton, non-agricultural market access and development.

2005: Sixth ministerial conference at Hong Kong, China during 13-18, December, 2005. The conference finalised a draft promising the elimination of all forms of agricultural export subsidies by 2013 and allowing concessions to developing countries on reduction of industrial tariff.

2006: China's compliance with WTO commitments and obligations.

2007: Commitment of WTO to the global governance for the benefit of all people, and to the multilateral system.

2008: Commitment to review of trade policy of all member countries.

2009: Emphasis on Doha development agenda.

2010: Called for increased vigilance by members to three potential dangers,viz.,an increase in protectionist pressures generated by global imbalances, the danger of a steady accumulation overtime of measures that restrict or distort trade and investment, and the challenge of managing the trade and investment impacts of stimulus and bail-out measures taken in response to the crisis.

2011: In almost two weeks of meetings and consultations in the WTO agriculture talks, delegations sent a few signals of movement in some areas. Chair sees a "change of spirit" in the industrial goods negotiations.

India is one of the (total members of WTO at the end of March 2011 are 153) founder members of the WTO. The GATT was not an organisation but it was only a legal agreement. On the other hand, WTO is designed to play the role of a watchdog in the spheres of trade in goods, trade in services, foreign investment, intellectual property rights, etc. Its functions as set out in Article III are:

- » The WTO shall facilitate the implementation, administration and operation and further the objectives of this agreement and on the Multinational Trade Agreements and shall also provide the framework for implementation, administration and operation of the plurilateral Trade Agreements.
- » The WTO shall provide the forum for negotiation among its members concerning their multilateral trade relations in matters dealt with under the Agreements in the Annexures to this agreement.
- » The WTO shall administer the understanding on Rules and Procedures Governing the Settlement of Disputes.

- The WTO shall administer the Trade Policy Review Mechanism, with a view to achieving greater coherence in global economic policy-making, the WTO shall cooperate, as appropriate, with the International Monetary Fund and with the International Bank for Reconstruction and Development and its affiliated agencies.

Having discussed the GATT and the birth and functions of WTO, now we shall discuss the differences between GATT and WTO.

• DIFFERENCES BETWEEN GATT AND WTO

As indicated earlier, GATT is only a legal agreement and it is not an institution. But WTO is a permanent institution. This difference indicates that, GATT is provisional and *ad hoc* in its approach, whereas WTO has commitments on permanent basis.

Exhibit 8.2 provides the differences between GATT and WTO.

• • • • DIFFERENCES BETWEEN GATT AND WTO

GATT	WTO
<ul style="list-style-type: none"> It is a set of rules and multilateral agreement. It was designed with an attempt to establish International Trade Organisation (ITO). It was applied on a provisional basis. Its rules are applicable to trade in merchandise goods. GATT was originally a multilateral instrument, but plurilateral agreements were added at a later stage. Its dispute settlement system was not faster and automatic. 	<ul style="list-style-type: none"> It is a permanent institution. It is established to serve its own purpose. Its activities are full and permanent. Its rules are applicable to trade in merchandise and trade in services and trade in related aspects of intellectual property. Its agreements are almost multilateral. Its dispute settlement system is fast and automatic.

Functions of WTO: The World Trade Organisation is expected to play its role in the following areas:

- WTO administers the 28 agreements contained in the final Act and a number of plurilateral agreements and government procurement through various councils and committees.
- WTO oversees the implementation of the significant tariff cut (averaging 40%) and also reduction of non-tariff measures agreed to in the trade negotiations.
- WTO examines regularly the trade regimes of individual member countries. Thus, it acts as a watchdog of international trade.
- WTO provides for Disputes Settlement Court in order to adjudicate the trade disputes which could not be solved through bilateral talks between member countries. The disputes are examined by the panel of independent experts in view of WTO rules and provide rulings. This procedure is laid down in order to provide equal treatment for all trading partners and to encourage member countries to live up to their obligation.
- WTO acts as a management consultant for world trade. The economists of the WTO observe the pulse of the global economy and provide studies on the main trade issues.
- Technical cooperation and training division is established in the WTO's secretariat in order to help the developing countries in the implementation of Uruguay round results.
- Member countries can use the WTO as a forum for continuous negotiation of exchange of trade barriers in the entire world.
- WTO cooperates with other international institutions like IMF, IBRD (World Bank) and ILO involved in global economic policy-making.
- WTO oversees the national trade policies of member governments.

World Trade Organisation

WORLD TRADE WITHOUT DISCRIMINATION

The basic purpose of the erstwhile GATT and the present WTO is to promote international trade without any discrimination. GATT contributed during 1947 to 1994 for elimination of discrimination between the exporting country and domestic country. According to the 'Most Favoured Nation' (MFN) clause of Article I, the member countries should give equal treatment to the products imported from any other member country. According to the 'National-treatment' clause the member country should treat the foreign products once they enter their country exactly equal to those of similar domestic products. WTO agreement also contains certain other provisions relating to most favoured nation clause and national treatment clause. For example, intellectual property protection by WTO provides for most favoured and national treatment to its members.

As per the General Agreement on Trade in Services (GATS), WTO member should give equal treatment to the services imported from any member country. In other words, WTO member should give MFN treatment to services and service suppliers also in the same lines of products. Similarly, the national treatment clause is also applicable in case of services and services suppliers in the same lines of products. The other non-discriminatory measures of WTO include: rules of origin, preshipment inspection, trade-related investment measures, etc.

Though the WTO helps international trade without discrimination, it allows tariffs and other forms of protection to the member countries in limited cases.

THE URUGUAY ROUND PACKAGE

The draft proposals proposed by Arthur Dunkel in the Uruguay round of GATT include:

- » Market
- » Agriculture
- » Trade Related Intellectual Property Rights (TRIPs) in respect of business and commerce.
- » Trade Related Investment Measures (TRIMs) in respect of institutional matters, investment in trade and business, and
- » Trade in services.

Market: Arthur Dunkel suggested that the Government control in marketing activities and operation will have to be slackened. The member Governments will have to abolish the public distribution system.

Agriculture: The member Governments are suggested to reduce the subsidy on fertilisers, seeds and other inputs and eliminate the administered pricing in respect to agricultural sector. Arthur Dunkel was in favour of reducing the price variations of agricultural products of domestic market and international markets. The proposals include:

- A basic agreement on modalities of the reforms programme.
- A supplementary agreement on the modalities for specific binding commitments under this reforms programme.
- A decision on application of sanitary and phytosanitary measures, and
- A declaration on measures to assist for food importing countries.

Dunkel proposed (a) Trade distorting support policies (known as '*Amber Policy*'), and (b) the Green policies (also known as *Green Box*). Green policies include the following supporting measures:

- » expenditure on general government services for research.
- » expenditure for disease control.
- » expenditure for expansion of infrastructure.

The basic purpose of the WTO is to promote international trade without any discrimination.

MFN Clause:
Member countries should give equal treatment to the products imported from any other member countries

National Treatment Clause:
A member country should treat the foreign products once they enter their country exactly equal to those of similar domestic products.

The member Governments are suggested to reduce the subsidy on fertilisers, seeds and other inputs and eliminate the administered pricing in respect to agricultural sector.

14. Functioning of the GATT System

- (i) Enhanced surveillance in the GATT to enable monitoring of trade policies and practices of contracting parties.
- (ii) Improved functioning of the GATT as decision-making institution.

15. Services

Track II : Group of Negotiations on Services

- (i) Definition and statistical issues
- (ii) Broad concepts on principles and rules for trade in services
- (iii) Coverage of multilateral discipline
- (iv) Foreign investment
- (v) International labour mobility
- (vi) Right of establishment, etc.

Source: D. M. Mithani, "International Economics", Himalaya Publishing House, 1999, pp. 336-337.

Trade-related Investment Measures (TRIMs): Dunkel proposal is also concerned with the removal of various controls imposed on the inflow of foreign capital into the Third World countries. This proposal helps the MNCs as they will be treated as national companies. The TRIMs text provides that the foreign capital would not be discriminated by the member Governments. This foreign capital gets equal treatment at par with domestic capital. The significant features of TRIMs include:

- » Abolition of restrictions imposed on foreign capital.
- » Offering equal rights to the foreign investor equal to those of the domestic investor.
- » No restrictions on any area of investment.
- » No limitation or ceiling on the quantum of foreign investment. In other words participation of foreign equity should be allowed up to 100 per cent.
- » Granting of permission without restrictions to import raw materials and other components.
- » No force on the foreign investors to use total products or materials.
- » Export of the part of the final product will not be mandatory.
- » Restriction on repatriation of dividend, interest and royalty will be removed.
- » Phased manufacturing programme will be introduced to increase the domestic content of manufacture.

The TRIMs text provides that the foreign capital would not be discriminated by the member Governments.

Trade in Services: Trade in services like, insurance, travel, tourism, hotel, banking, maritime transportation, mobility of human resources, etc., has been for the first time, brought within the purview of GATT. The General Agreement on Trade in Services (GATS) provides a multilateral framework of principles and services. GATS govern trade in services.



ORGANISATIONAL STRUCTURE OF THE WTO

The organisational structure of the WTO is designed based on four hierarchical levels. The hierarchies from the top to bottom are as follows:



- » Ministerial Conference
- » General Council
- » Councils
- » Committees and Management Bodies.

Ministerial Conference is the highest hierarchical level in the organisational structure.

Ministerial Conference: Ministerial Conference is the highest hierarchical level in the organisational structure. All the member countries of WTO are the representatives of the ministerial conference. Ministerial conference has the authority to make decisions on all matters relating to multilateral trade agreements. The ministerial conference meets at least once in two years. The ministerial conference is the policy and strategy making body. It gets the policies and strategies implemented and executed by the next level, i.e., General Council.

General Council: General Council is the executive body of the WTO. General Council reports its decisions and activities to the ministerial conference. All the members of the WTO are also the representatives in the General Council.

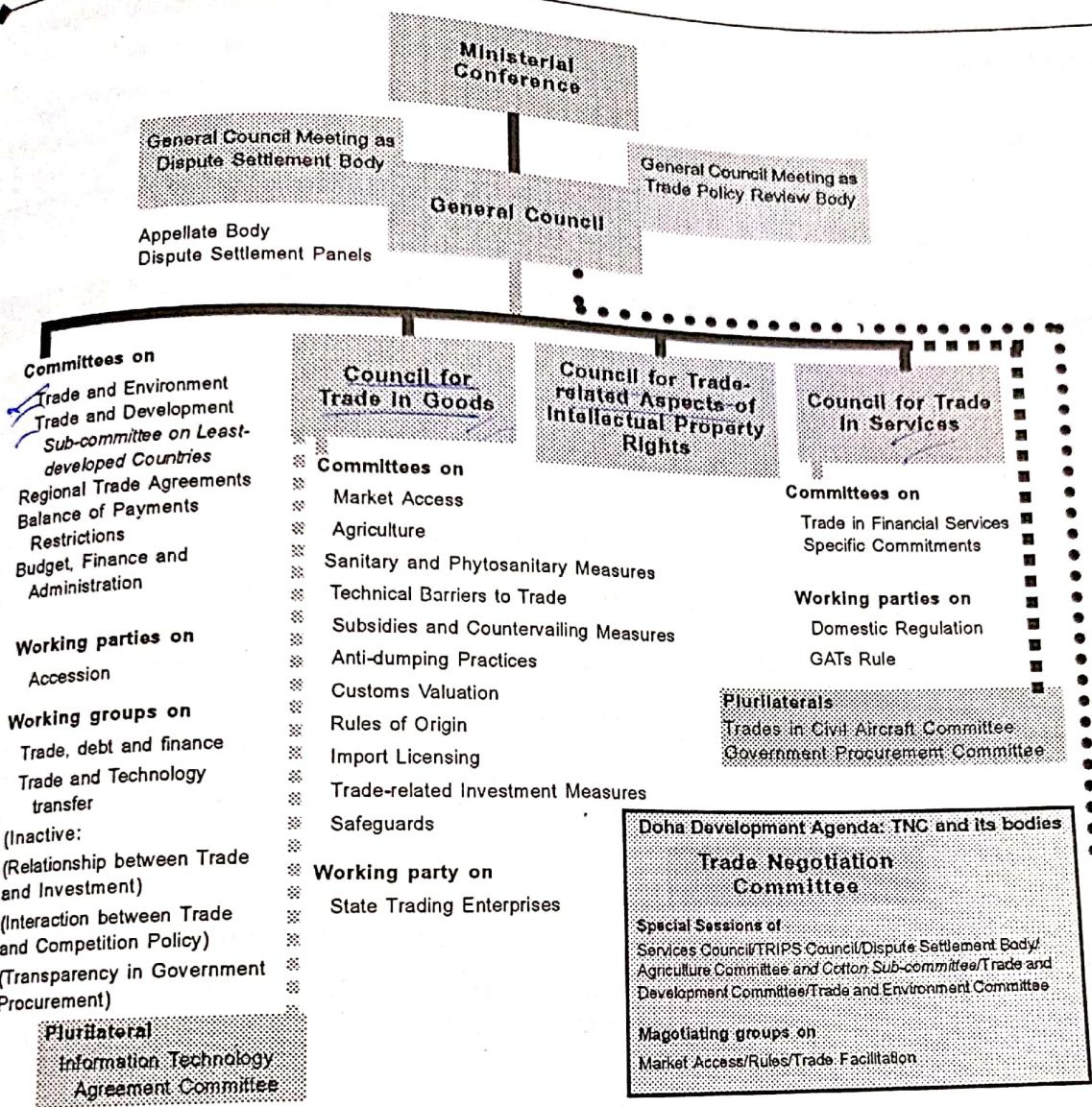
The General Council has other forms like Dispute Settlement Body and Trade Policy Review Body.

- » Dispute Settlement Body supervises dispute settlement procedures. This body is assisted by the dispute settlement panels and appellate body.
- » Trade Policy Review Body reviews trade policies of individual WTO members regularly.
- » **Councils:** The third level in the hierarchy is councils. There are three councils, viz.,
- » **Council for Trade in Goods:** This council supervises the implementation and functioning of all agreements relating to trade in goods.
- » **Council for Trade in Services:** This council oversees the implementation of all the agreements relating to trade in services.
- » **Council for Trade-related Aspects of Intellectual Property Rights:** This council oversees the implementation and functioning of all the agreements relating to this area.
- » **Committee and Management Bodies:** The General Council delegates powers, responsibilities and authorities to these bodies. These committees and bodies include:
- » Committees: Various councils specified earlier, constitute committees for administering the arrangement. Ministerial conference constituted three committees, viz.:
 - *Committee on Trade and Development:* This committee is concerned with the issues concerning developing countries and particularly least developed countries.
 - *Committee on Balance of Payments:* Some WTO member countries resort to trade restrictive measures with a view to cope with their balance of payments problems. Consultations among such countries are arranged by the committee on Balance of Payments.
 - *Committee on Budget, Finance and Administration:* This committee deals with the issues relating to the budget, finance and administration of WTO.
- » **Management Bodies:** Plurilateral agreements of the WTO have their management bodies. These management bodies report to the General Council. Some of the plurilateral agreements having management bodies include: civil aircraft, government procurement, dairy products, bovine-meat, etc.

Fig. 8.1 presents the organisational structure of the WTO.



FIGURE 8.1 :
Organisational Structure of the WTO



http://www.wto.org/english/thewto_e/whatis_e/tif_e/org2_e.htm

♦ DISPUTE SETTLEMENT MECHANISM OF WTO

The increased rate of globalisation enhanced the severity of competition for export of goods, services and capital among the global countries. This competition, in turn, made the countries to adopt win-lose strategies in the foreign trade, which in turn, created disputes between the countries.

WTO provides a more powerful mechanism to solve disputes over trade among the member countries. In fact, WTO felt that trade dispute mechanism is highly essential in these days of globalisation. This is more so, in case of developing countries as they are emerging as active partners in the global trade.

WTO, in one of its recent reports observed that, multilateral dispute-mechanism is used more frequently by the developing countries than the advanced countries. The phenomenon is more prominent in WTO compared to that in GATT. Dispute Settlement Body established two dispute settlement panels on 5th March, 1996, at the request of Philippines and Costa Rica. Out of the four active dispute settlement panels, three of them are involved in the settlement of disputes of the developing countries. But in case of GATT most of the disputes were among developed countries.

WTO provides more powerful mechanism to solve disputes over trade among the member countries.

- » Transparency and predictability in import and export rules and regulations.
- » Favourable treatment to less developed countries.



WTO AND ANTI-DUMPING MEASURES

Dumping means selling the product at below the on-going market price and/or at the price below the cost of production. Haberler defines dumping as, "the sale of goods abroad at a price which is lower than the selling price of the same goods at the same time in the same circumstances at home, taking account of difference in transport costs".

Types of Dumping: Dumping is of three types, viz., intermittent dumping, persistent dumping and predatory dumping.

Intermittent Dumping: When the production of a product is more than the demand in the home country, the stocks piled up even after sales. In such a case the producer sells the remaining stock in foreign countries at low price without reducing the price in domestic countries.

Persistent Dumping: The monopolist sells the remaining production in foreign countries at a low price continuously. This type of dumping is called persistent dumping.

Predatory Dumping: The monopolist sells the product in a foreign market at a low price initially with a view to drive away the competitors and increase the price after the competitors leave the market. This type of dumping is called predatory dumping.

Objectives of Dumping: The objectives of dumping include:

- **To Enter the Foreign Market:** The monopolist adopts the dumping strategy to enter a foreign market by eliminating the competitors in the foreign market.
- **To Sell Surplus Production:** The producers dump the products in the foreign countries in order to sell their surplus production.
- **To Develop Trade Relations:** The manufacturers sell their output in foreign countries at low price in order to develop trade relations with the foreign countries.

Effects of Dumping: Dumping affects both the importing and exporting countries. However, the effects are more on importing country.

Effects on Importing Country:

- The industry of the importing country experiences the decline in sales and profits. For example, China dumped its steel in India and consequently Indian steel industry faced the problems of decline in sales and the deflationary conditions.
- If the dumping is for longer period, it affects the survival of the industry and also changes the industrial structure in the foreign country. If the dumping company increases the price at the later stage (i.e., after eliminating competition) the importing country would be at loss both in terms of high cost of imports and change in the structure of the domestic industry.
- Dumping changes the preferences of the consumers of the domestic country. But, if the dumping is stopped after sometime, the country is forced to import at high prices.
- Dumping increases the deficit of the balance of payments of the importing country.
- The importing country can benefit from dumping by imposing anti-dumping tariffs as Indian Government imposed tariffs on cooking oil dumped by the USA and Malaysia.

Effects on Exporting Country:

- The consumers of the exporting country pay higher price when the consumers of foreign country enjoy the product at lower price.

Dumping: the sale of goods abroad at a price which is lower than the selling price of the same goods at the same time in the same circumstances at home, taking account of difference in transport costs

• The exporting country finds market for the excess production.
• The exporting country earns foreign exchange and it contributes for the surplus balance of the balance of payment position.

Anti-dumping Measures: In view of the negative effects of dumping, the importing country imposes anti-dumping measures like tariff duty, import quota, import embargo and voluntary export restraint.

- **Tariff Duty:** The importing country imposes high rates of import tariffs on dumping goods. Then the dumping company finds it uneconomical to dump the goods in a foreign country and stops dumping.
- **Import Quota:** The importing country in addition to tariff duty, restricts the volume of imports. This measure reduces the dumping.
- **Import Embargo:** The importing country bans the import of particular goods or all the goods from the dumping country. This is a retaliatory measure against dumping.
- **Voluntary Export Restraint:** The exporting countries realising the negative effects of dumping, voluntarily come for bilateral agreements to avoid dumping.

As stated earlier, the governments impose penalties and such other measures on the imports if they cause injury to the domestic industry. These penalties, duties and tariffs imposed to reduce/arrest the dumping are called of 'anti-dumping measures'. GATT allowed its member countries to apply anti-dumping measures. The GATT members in the Tokyo round discussed in detail, the rules and measures to be imposed. These anti-dumping measures may be in the forms of duties, undertakings on pricing by exporter, etc. These measures were revised in Uruguay round.

WTO provides clear and additional information and criteria for determining: (See Box 8.2)

BOX 8.2 : WTO DRUG DEAL: IMPACT ON INDIAN COMPANIES

The negotiations at the World Trade Organisation in Geneva to allow supply of life saving drugs

Under the agreement, the importing country as well as the exporting country will necessarily have to inform the TRIPS council about the issuing of a license on a complaint