WTO-End of the Sovereign Nation State Concept

The World Trade Organisation (WTO) came into effect from January 1, 1995 as a successor to the General Agreement on Trade and Tariff (GATT). The scope of WTO is wider than GATT and it includes cross-border trade in goods, services and ideas and personnel. Its main objective is to promote free and fair world trade without protectionism and encourage economic reform. It consists of the General Council which also functions as the dispute settlement body. Initially it was believed that WTO would be beneficial to developing countries but it has proved otherwise and is more beneficial to developing countries but it has proved otherwise and is more beneficial to developed countries. And in the process, it has eroded the sovereign nation state concept.

Every state is a sovereign nation state. It will not like its sovereignty to be eroded in any sphere. But during Singapore meeting go the WTO agenda was imposed on the question of a multilateral regime on investment. The Uruguay round agreement on trade related investment measures was bad enough. What made it worse was the review clause which, without much justification and with little regard to its scope, spoke of investment per se. The whole agreement was about the trade related aspects of investment and not investment as such for free and fair competition in international trade. The most important gain for the developed countries was that the issue of international discipline on investment, which will erode the authority of the nation-state and provide a free field for the Multi-National Corporations (MNCs) was squarely lodged in the WTO. It was to the detriment of the developing countries.

The ultimate outcome will be to insulate basic investment decisions from possible directional control by the state. Foreign capital should be ‘free’ to enter, choose its area of activity and location, establish its business, raise funds, hire and fire employees, choose its technology, conduct its operations, repatriate its profits, close down and quit. Governmental intervention should be strictly confined to what is considered necessary for security or protection of environment, public order, moral health. Social and economic goals such as the development of backward regions, regional balance, the encouragement of labour intensive techniques, the promotion of employment of depressed and backward sections of community, Indianization of the management, Indianization of technology and production ,the promotion of small industries, village and cottage industries, the conservation and augmentation of the foreign exchange resources through increased export earnings and reduced import requirement will be treated as “restrictive measures” to be negotiated away as part of a multilaterally agreed plan of action that will be built into the new international regime on investment.

The second area of exercising control is in the area of Balance of Payments. The General Agreement on Tariffs and Trade of 1947 conferred an important, substantive right on the developing countries in the matter of managing their external trade. They are entitled to impose import controls to safeguard their external financial position. In devising schemes of quantitative restrictions, they can choose their priorities without any interference from other member-countries. The subsequent elaboration of this provision in the course of the successive rounds of the negotiations has placed some limitations on the freedom of the developing countries in the exercise of the right to imposed quantitative restrictions.

What is now being attempted in the WTO is a total undoing of this important, and virtually the only potent, right available to developing countries in the system. India is being told to eliminate all its quantitative restrictions in a period of two years or so. Worse still, it is also reported that some of India's trading partners want the country to renounce this right altogether. This will amount to India announcing that it is no longer in the category of the developing countries and thus deprived of some of the benefits like pursuing the process of industrialization. It will eliminate the built-in safeguards that helped preserve a measure of autonomy for the poor countries in managing their economies. Its implication for India's economy and society are far reaching. The whole structure of medium, small, village and cottage industries will come under severe strain. It will cause disruption in income generation and employment generation to the Indian economy.

The another important area of control is in the intellectual property rights. India's decision not to rush through the legislation to amend the Parents Act was questioned by the U.S. which chose to take India to the dispute settlement body of the WTO. The dispute settlement panel has come to the conclusion that India is in breach of its obligations under the WTO. Pro-WTO lobbies are already active in using the adverse findings of the dispute panel to press the Indian government into quick and unqualified compliance of the WTO commandments. There is pressure building on India to set up a suigeneris system to protect plant varieties. Here again the model that is being put forward is that of the union for the protection of new varieties of plants (UPNV) convention, created by few industrialized countries. The system does not recognize the sovereignty of the nation state over its biological resources. The UPNV system subordinates the researcher's and farming community's interests and rights to those of the so-called breeders.

It is clear that the working of the WTO system has gone against the sovereign nation state systems. Though India won a case against U.S. imposed restrictions on woolen shirts and blouses exported by India. So we have, on the one hand, the substantial erosion of autonomy of decision making already taking place, and on the other, a little positive response against woolen shirts export restrictions but by the large WTO is against the independent decision making powers of nation states.