

Analysis of India's Services Trade Following WTO's GATS

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- **Abstract**

India became a founding member of the World Trade Organization on January 1st, 1995. This membership has been in effect ever since (WTO). There were a number of different international trade agreements in effect when the WTO framework was in force. One of these incredibly important accords is called the General Agreement on Trade in Services, or GATS for short (GATS). An Agreement that is Both Comprehensive and Progressive for the Trans-Pacific Partnership the General Agreement on Trade in Services, sometimes known as the GATS, is a multilateral agreement for the trade in services that applies to all 164 nations that are members of the World Trade Organization.

The first of these objectives is to broaden the participation of developing nations in international trade in services; the second of these objectives is to broaden the developing nations' exports of services through the development of their export capacity and the securing of export opportunities in fields in which they are both capable and interested. The purpose of this study is to evaluate the change that occurred in the importing and exporting of services both before and after the GATS agreement was signed by India and the WTO.

Keywords: *GATT, WTO, GATS, Services*

- **Introduction**

The General Agreement on Trade in Services, or GATS, was created as part of the trade negotiations that took place during the Uruguay Round (1986-94). General Agreement on Trade in Services (GATS) is an international agreement that India is a signatory to. The purpose of this agreement is to extend multilateral norms and standards to the trade of services, with a specific emphasis on non-discrimination and the prohibition of quantitative barriers. India is one of the signatories to this agreement. It is a set of standards that regulate the trade of services across international borders and have the potential to be legally enforced. The participants in the GATT were aware of the ever-increasing relevance of international trade in services to the growth and development of the world economy. They sought to build a multilateral framework for the trade in services that would be based on a collection of guiding principles and laws. They wanted it to happen as quickly as possible, and they anticipated for rapid progress toward liberalisation of trade in services at steadily greater levels. They were able to reach a consensus on the provision of the trade in services agreement while keeping the requirements of developing and rising economies in mind. A few examples of services include the banking industry, the insurance industry, the transportation industry, the accounting industry, the telecommunications industry, the tourism industry, the software and information technology industry, private sector participation, and the movement of natural persons. The GATS operates on three distinct levels: the main text, which outlines general principles and obligations; annexes, which address rules for particular industries and individual nations; and specific promises to offer access to their respective markets. The main text outlines general principles and obligations. On page 14,

of the World Trade Report 2019 that was issued by the WTO, it was stated that at the present time, services account for twenty percent of world commerce.

The contribution that services provide to various economies can frequently be considered rather large. It is becoming increasingly common for suppliers of these services to be based in countries other than those in which their consumers are situated; this is a trend that is expanding. Up until this moment, the regulatory framework governing services has been left entirely up to the discretion of individual governments. In many instances, these regulations have not been able to keep up with the rise of the service industry. Because of this, the capacity of the sector to develop has been hampered in certain nations, while in others it has been made feasible for the industry to expand in an unregulated manner, leaving clients without any protection against exploitative business practises.

- **Objectives of the Study**

As a part of this research, an in-depth investigation of the GATS agreement is going to be carried out, and India is going to be the primary focus of the investigation that will be carried out. This piece of research makes an effort to analyse India's status both before and during the creation of the GATS agreement that was established with the WTO. This endeavour was undertaken in order to better understand India's position. This endeavour is considered to be a part of the larger scope of the research since it will assist in providing answers to some of the concerns that have been posed. There are four distinct paths that may be taken for the purpose of exporting services from one nation to another. These benefits have been proven to exist via extensive research. An in-depth examination of the most current trends in the international trade of services, with a particular emphasis on both the export and import of such services as the primary areas of study.

- **Research Methodology**

We were forced to rely only on information that had been gathered at an earlier point in time so that we could finish our inquiry. The data and specifics of the agreements were obtained from a wide range of publications and websites, such as those that are maintained in a current state by the WTO, the IMF, UNCTAD, and the RBI, in addition to other online resources. Since 1970 and continuing all the way up to the present day, we have been making every effort to gather as much information as we possibly can. When it came to doing the study, I relied on absolute numbers and ratios, despite the fact that I used tables and figures to convey the facts. This is despite the fact that I used both to my advantage. You may find the tables and numbers lower down on the page.

- **Limitations of the Study**

A conceptual classification of services may be discovered by utilising the International Business Transaction Reporting System (IBTRS), which serves as the framework for the whole thing. When we compare the format of the data on the balance of payments that was released by the IMF and the Reserve Bank of India, we find that they are not the same. This can be seen if we examine the structure of the data on the balance of payments. In the classification of data used by the IMF, there is no such thing as a "invisible." On the other hand, the Reserve Bank of India (RBI) does have a category that they call "invisibles," which is separate from both products and visible accounts. Because distinct data are not easily accessible for services, the data shown in "Table 1, Figure 1 and Table 2, Figure 2" are utilised instead. These tables include information on the "invisible" category. According to the RBI, this data covers private transfers in addition to official transfers, travel, transportation, insurance, general and administrative expenditures, miscellaneous, investment income, and remuneration of workers. The data that

can be accessible through the online database of the RBI are not compliant with the GATS classification of services. This categorization of services outlines four different methods that services might be supplied to the customer. Because of this, the only level of service analysis that has been discussed up to this point is the macro level. The data is shown in table 3 and figure 3 in millions of US dollars, beginning with the 1999-2000 school year and continuing through the 2018-2019 school year. However, the GATS does not allow for services to be categorised in this manner, hence this format cannot be used.

Historical Development

Since the advent of international business, many countries have relied on barriers to shield their domestic economy from the effects of globalisation. These obstacles might be in the form of a complete prohibition on imports, hefty import levies, import quotas, or quantitative restrictions. Therefore, in order to broaden the scope of international commerce and get rid of the challenges that are inherently associated with international trade, it was necessary to found a global organisation or a forum in which nations that participate in international trade could begin negotiations with one another. This was a requirement for expanding international commerce. As a result, efforts were made to establish such an international organisation or forum, and the General Agreement on Tariffs and Trade (GATT) was initially discussed at the United Nations Conference on Trade and Employment due to the failure of negotiating governments to establish the International Trade Organization. Consequently, these efforts were unsuccessful (ITO). As a result, we can say that the General Agreement on Tariffs and Commerce (GATT) is a legal agreement between several nations, the purpose of which was to generally encourage international trade by generally decreasing or completely removing trade obstacles. This can be said because the GATT had the objective of generally encouraging international trade by decreasing or completely removing trade obstacles. When we refer to the GATT as a legal agreement, what we mean is exactly what you see here. The fundamental goal of the General Agreement on Tariffs and Trade was to achieve a "significant reduction of tariffs and other trade impediments and the abolition of privileges, on a reciprocal and mutually advantageous basis." This was stated as the agreement's mission statement (GATT).

The General Pact on Tariffs and Trade (GATT) was simply a temporary agreement with no office. Therefore, in order to develop a permanent organisation, the Uruguay Round Agreements led to the founding of the World Trade Organization (WTO) on January 1, 1995. This was done in order to fulfil the goal of forming a permanent organisation. On April 14, 1994, in Marrakesh, 123 different governments came together to sign these accords. During the discussions that took place during the Uruguay Round, one of the items that was on the table to be discussed was the influence that the multilateral trading system had on the service sector. During the Uruguay Round, one of the most controversial issues that arose was the question of whether or not to incorporate services under the GATT framework. Including services in the agenda of the Uruguay Round was met with vehement opposition from a number of developing countries, most notably India and Brazil, which are members of the G-10 group of developing countries (Argentina, Brazil, Cuba, Egypt, India, Nicaragua, Nigeria, Peru, Tanzania, and Yugoslavia).

Modes of Service Trade

Before the negotiations could proceed any further, the most important impediment that needed to be conquered was the problem of defining the concept of trade in services. The GATT was able to find a solution to this problem

by dividing the trade in services into four distinct categories. As a result, the provision of one service in return for another may involve any one of the following, or any combination of the following:

- 1) *Mode 1 (Cross-Border Supply)*: The delivery of a service on the contested territory of a border. As an illustration, a corporation based in the United States has retained the services of an architect who is employed by a firm based in India. The business that is based in the United States of America is looking for a set of blueprints for a hotel complex that will be located in the United States. When the architect sends those drawings to the business in the United States, he is providing a service that transcends the geographical limits of the countries involved.
- 2) *Mode 2 (Consumption Abroad)*: The provision of a service inside the boundaries of one nation that is then utilised by a citizen of another nation after the service has been performed. Consider the scenario in which the architect returns to India after the completion of the project and the establishment of the local office. In this scenario, the task has been successfully completed. After waiting another year, he ultimately decides that he would take his vacation in the hotel complex that he was responsible for developing. He stays at the hotel complex for two weeks, during which time he makes use of the region's eateries, dive equipment rental enterprises, and other businesses that contribute to the economy of the area. In total, he spends two weeks there. He is currently demonstrating the utmost diversity that exists within the business of providing services.
- 3) *Mode 3 (Commercial Presence)*: The process of establishing a foothold for a company's operations in a certain country. For instance, owing to the fact that the aforementioned hotel complex is so breathtaking, a variety of different companies in the United States have spoken with the architect about the possibility of working together. The architect has come to the conclusion that the best place to launch his new venture is in the United States. In the context of this discussion, it refers to the steps involved in establishing a commercial presence in a country.
- 4) *Mode 4 (Presence of Natural Persons)*: The process of relocating a natural person from one country to another. Changing the ownership of a natural person. Take into consideration the following scenario: a corporation in the United States has obtained the drawings, gone through them, and determined that they are satisfied enough with them to request the attendance of the architect while the building is being constructed. The company that hires the architect outsources his work to a company in the United States, and the architect himself travels to the United States on a regular basis in order to check on how far along the construction project has gotten. Within the parameters of this discussion, he is functioning as a foreigner who is operating a business within a different country.

Data Analysis

The statistics of world trade in commercial services, segmented by manner of supply, can be found in the table that is located below the graphic. The table may be accessed by clicking on the following link: The figure and table cumulus allow us to reach the conclusion that the majority of international commerce in services is conducted through business presence in a country other than the one being supplied from (Mode 3) and Mode 1 cross-border supply. This was made possible by the data presented in the cumulus. Only 2.9% of persons are estimated to be residing in another country, which is the absolute minimum that may be reported for this mode.

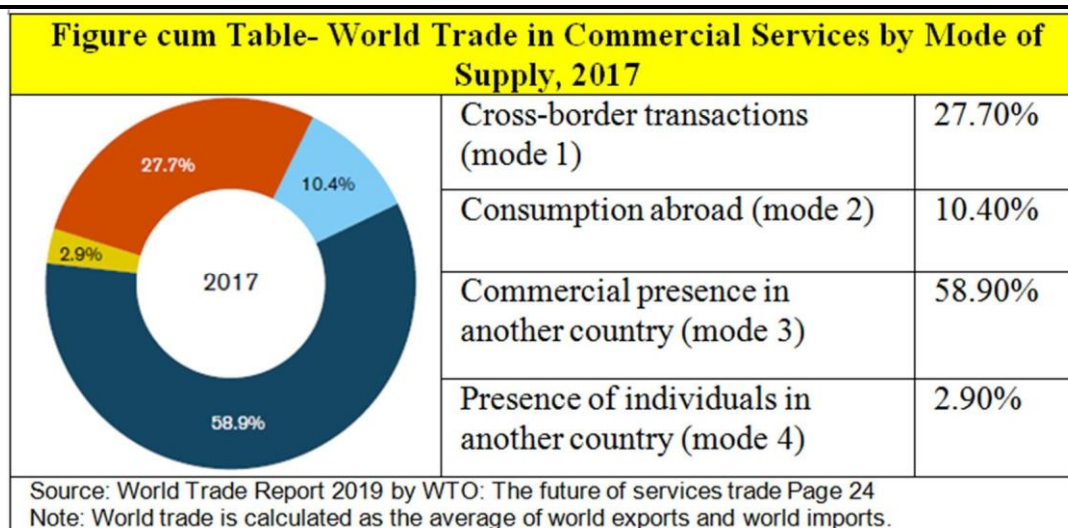
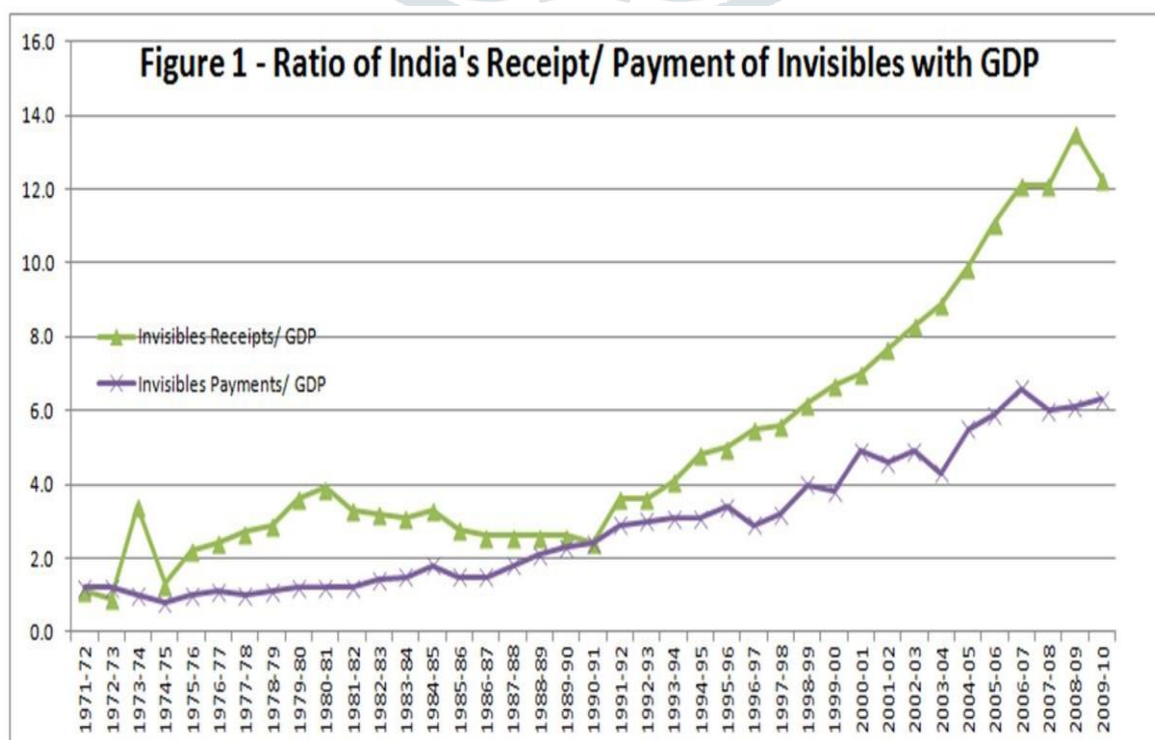


Table-1 presents the data of the ratios of Balance of Payment Indicators as percentages. These percentages may be found in the table. The year is shown in the first column, followed by the ratio of invisibles revenues to GDP from 1971-1972 to 2009-2010 in the second column, and the ratio of invisibles payments to GDP from 1971-1972 to 2009-2010 in the third column. All three columns are presented below. The data shown in this table reveals that, with a few noteworthy exceptions, uncounted receipts have been consistently growing from 1971-1972 onward. The contribution of Invisible Receipts to the GDP began at .09 percent of the total in 2008-2009 and has progressively climbed over the years, finally reaching 13.5 percent of the total in 2008-2009. This is an indication that the WTO's General Deal on Trade-Related Dispute Settlements (GATS) agreement will not have a negative impact on India. As a result, there is evidence of progress in regards to the export of services during both the pre-WTO period as well as the post-WTO period. When we examine the connection between Invisible Payments and GDP at the present time, we notice that the general trend is the same as it was with receipts. The share of Invisibles Payments to GDP has been steadily growing, but at a slower pace of increase than that of receipts. This is in contrast to the situation with receipts. However, the total number of payments has only grown by a ratio of 8.25 (6.6/0.8), whilst the total number of revenues has climbed by a factor of 15.

Year	Invisibles Receipts/ GDP	Invisibles Payments/ GDP	Year	Invisibles Receipts/ GDP	Invisibles Payments/ GDP
1971-72	1.1	1.2	1991-92	3.6	2.9
1972-73	0.9	1.2	1992-93	3.6	3.0
1973-74	3.4	1.0	1993-94	4.1	3.1
1974-75	1.3	0.8	1994-95	4.8	3.1
1975-76	2.2	1.0	1995-96	5.0	3.4
1976-77	2.4	1.1	1996-97	5.5	2.9
1977-78	2.7	1.0	1997-98	5.6	3.2
1978-79	2.9	1.1	1998-99	6.2	4.0
1979-80	3.6	1.2	1999-00	6.7	3.8
1980-81	3.9	1.2	2000-01	7.0	4.9
1981-82	3.3	1.2	2001-02	7.7	4.6
1982-83	3.2	1.4	2002-03	8.3	4.9
1983-84	3.1	1.5	2003-04	8.9	4.3
1984-85	3.3	1.8	2004-05	9.9	5.5
1985-86	2.8	1.5	2005-06	11.1	5.9
1986-87	2.6	1.5	2006-07	12.1	6.6
1987-88	2.6	1.8	2007-08	12.1	6.0
1988-89	2.6	2.1	2008-09	13.5	6.1
1989-90	2.6	2.3	2009-10	12.3	6.3
1990-91	2.4	2.4			

Source: Handbook of Statistics on Indian Economy, RBI

Both the table and Figure-1 make it abundantly evident that the ratio of revenues and payments to GDP was virtually same in 1971–1972, 1972–1973, and 1990–1991. With the exception of this year, the ratio of invisible payments to GDP has been lower than the ratio of invisible revenues to GDP in every single year. The gap that



exists between the payments that have been paid and those that have been received is steadily expanding. This demonstrates growth after having been a member of the WTO for some time.

The data that is shown in Table-2 pertains to the change in the total value of the net export of products and invisibles from 1970-1971 to 2017-2018, measured in millions of dollars US. In the first column, information is provided on the years in question; in the second column, information is provided on the merchandise balance (net); and in the third column, information is provided on the invisibles balance (Net). According to the data, the amount of invisible that was exported during each of the following fiscal years: 1970–1971, 1971–1973, 1972–1973, and 1990–1991 was each below zero. Following that year, every single one that followed it ended with a positive export total for invisible. The value of the net export of invisible was 415 dollars in the fiscal year 1974–1975; with consistent growth, this figure increased to 118081 dollars in the year 2014–2015 before falling to 111319 dollars in the fiscal year 2017–2018. In the fiscal year 1974–1975, the value of the net export of invisible was 415 dollars. It has climbed by a factor of 284.53 during the period of the last 43 years (118081/415). If we look at times before and after the WTO, we can see that it has consistently showed steady development across both periods of time.

Years	Merchandise Balance (Net)	Invisibles Balance (Net)	Years	Merchandise Balance (Net)	Invisibles Balance (Net)
1970-71	-545	-49	1994-95	-9049	5680
1971-72	-637	-32	1995-96	-11359	5449
1972-73	-217	-186	1996-97	-14815	10196
1973-74	-649	2093	1997-98	-15507	10007
1974-75	-1614	415	1998-99	-13246	9208
1975-76	-1367	1161	1999-00	-17098	12935
1976-77	-347	1347	2000-01	-12460	9794
1977-78	-698	2011	2001-02	-11574	14974
1978-79	-2696	2406	2002-03	-10690	17035
1979-80	-4259	3574	2003-04	-13718	27801
1980-81	-7869	5065	2004-05	-33702	31232
1981-82	-7273	4094	2005-06	-51904	42002
1982-83	-6979	3572	2006-07	-61782	52217
1983-84	-6715	3499	2007-08	-91467	75731
1984-85	-5654	3238	2008-09	-118650	89923
1985-86	-7834	2967	2009-10	-117328	78917
1986-87	-7316	2756	2010-11	-127322	79269
1987-88	-7168	2316	2011-12	-189759	111604
1988-89	-9361	1364	2012-13	-195656	107493
1989-90	-7456	615	2013-14	-147609	115313
1990-91	-9437	-243	2014-15	-144940	118081
1991-92	-2798	1620	2015-16	-130079	107928
1992-93	-5447	1921	2016-17	-112442	97147
1993-94	-4056	2898	2017-18	-160036	111319

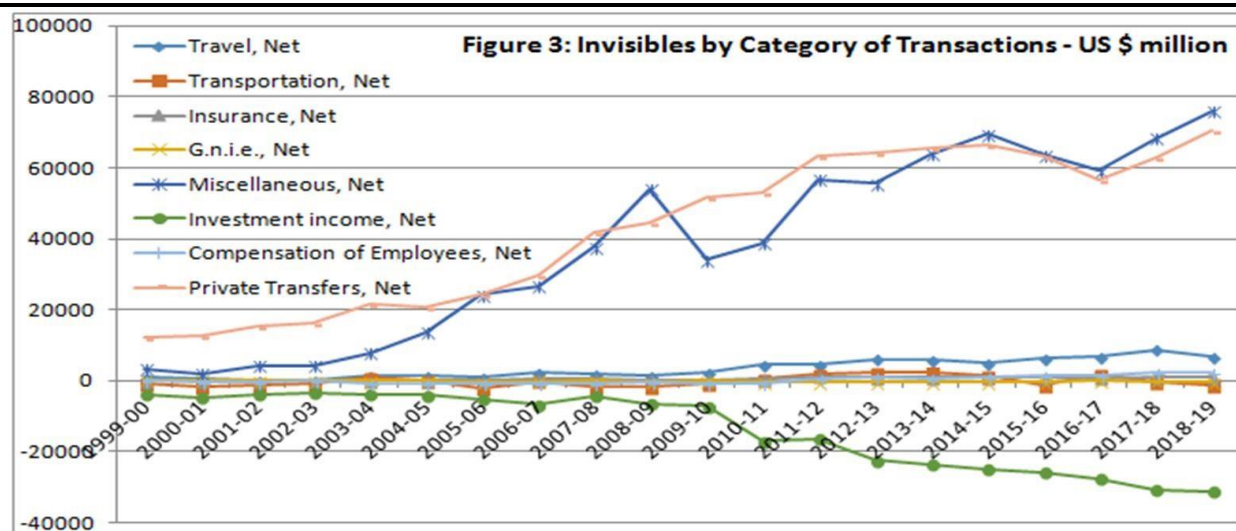
Source: Handbook of Statistics on Indian Economy, RBI

Figure 2 demonstrates that there was a correlation between the net export of items and invisibles up until 1976–1977, but that beginning in 1977–1978, this correlation started to move in the opposite direction. This can be seen by the fact that the correlation began to move in the opposite direction. Prior to the fiscal years 1992–1993, the difference between the net export of goods and the net export of invisibles was very negligible. On the other hand, beyond this point, the net export of invisibles has increased similarly to how other things have. Following the implementation of the WTO and GATS accords, the volume of invisible export is virtually probably going to continue to increase.

Item/Year	1999-00	2000-01	2001-02	2002-03	2003-04
Travel, Net	897	693	123	-29	1435
Transportation, Net	-703	-1512	-1306	-736	879
Insurance, Net	109	47	8	19	56
G.n.i.e., Net	312	332	235	65	28
Miscellaneous, Net	3449	2132	4264	4324	7746
Investment income, Net	-3695	-4664	-3844	-3544	-3757
Compensation of Employees, Net	136	-340	-362	98	-748
Private Transfers, Net	12256	12854	15398	16387	21608
Item/Year	2004-05	2005-06	2006-07	2007-08	2008-09
Travel, Net	1417	1215	2439	2091	1469
Transportation, Net	144	-2012	-94	-1501	-1509
Insurance, Net	148	-54	553	595	292
G.n.i.e., Net	-10	-215	-150	-45	-404
Miscellaneous, Net	13727	24236	26721	37712	54069
Investment income, Net	-4095	-5262	-6762	-4433	-6626
Compensation of Employees, Net	-884	-593	-569	-635	-484
Private Transfers, Net	20525	24493	29825	41707	44567
Item/Year	2009-10	2010-11	2011-12	2012-13	2013-14
Travel, Net	2517	4768	4699	6176	6112
Transportation, Net	-756	366	1859	2528	2588
Insurance, Net	306	545	1134	818	1005
G.n.i.e., Net	-84	-285	-302	-239	-490
Miscellaneous, Net	34033	38687	56707	55632	63851
Investment income, Net	-7248	-17075	-16465	-22370	-23521
Compensation of Employees, Net	-791	-876	477	914	493
Private Transfers, Net	51791	53125	63469	64342	65481
Item/Year	2014-15	2015-16	2016-17	2017-18	2018-19
Travel, Net	5028	6476	6792	8839	6737
Transportation, Net	1308	-1076	1719	-166	-1065
Insurance, Net	1084	852	710	806	871
G.n.i.e*., Net	-418	-291	-11	-130	-504
Miscellaneous, Net	69526	63716	59134	68213	75902
Investment income, Net	-24962	-25737	-27697	-30839	-31219
Compensation of Employees, Net	821	1362	1395	2158	2358
Private Transfers, Net	66264	63139	56573	62949	70601

Source: Compiled from Handbook of Statistics on Indian Economy, RBI, Different Issue

* Government not included elsewhere



The numbers are presented in table 3 and figure 3 in millions of United States dollars, starting with the 1999-2000 school year and continuing through the 2018-2019 school year. Both of these considerations make it abundantly evident that the money that is received through private transfers and from a variety of sources is an important addition to the income that is received from the provision of services. These income are also consistently increasing, which is assisting the people at the bottom of the pyramid in India. The travel industry is another area that is seeing signs of development. Since the very beginning, our investment income has been negative due to the huge amount of money that we have had to borrow from various other people or organisations. The effect that every other item has on revenue from invisible or service income as well as data regarding the BoP is entirely negligible.

• Conclusion

It should not come as a surprise that liberalisation agreements, such as enabling foreign service providers unlimited admission into local markets, would have far-reaching implications if they were followed out as they were intended to. The globalisation of services will violate their rights for domestic policy, notably the rights connected to equal access and freedom of choice. This is especially true for rights related to equal access. As a result, significant policy adjustments need to be done on the domestic front in order to promote service exports. It is abundantly clear, as we can see from the statistics, that the export of services has leaped to a greater level, thus signalling a structural shift; this quality holds true for the international trade landscape as a whole as well as for India. This shift in structure applies to both the international trade landscape and India. In terms of India's overall balance of payments, service trade is acting as a kind of support; the surplus on account of invisible trade has always partially offset the deficit on account of merchandise trade. In other words, the merchandise trade deficit is being partially offset by the surplus on account of service trade. To put it another way, the surplus in the trade of services is helping to somewhat make up for the deficit in the trade of goods. In 2018, the growth of the world's commercial services reached 7.7 percent, which is a substantial improvement from the 8.4 percent that was recorded the year before. On the other hand, the expansion of services connected to the provision of products surged to 10.6% in 2018, up from 8.3% the year before (Economic Survey 2018-19, Volume 2 Page -130). At the end of the day, India has grown to become one of the most significant participants in the trade of services that takes place today. The fact that India's service sector has become the key economic driver for the country is partly responsible for the country's current status as one of the nations with the highest GDP growth rates in the world.

The service industry is responsible for more than sixty percent of the Gross Domestic Product (GDP), and it accounts for around thirty-five percent of all exports. India was ranked as the sixth biggest exporter of commercial services in 2014, accounting for 3.2 percent of the total world commerce. Additionally, India was ranked as the ninth largest importer of commercial services in 2014. (2.8 percent of global trade). India is rapidly gaining a reputation as a desirable location for the outsourcing of tasks linked to providing services. Its high computer literacy rates, huge number of English speakers, and comparatively inexpensive labour costs are some of the factors that contribute to its competitive advantage. In order for there to be a rise in the amount of goods that are exported from India, India will need to search for new things to sell as well as extend the locations in which it does business.

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