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# UNIT 1 EXTENSION IN THE CONTEXT OF WTO

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- 1.2 Basic Background and Emergence of The WTO
- 1.3 WTO and Trade in Educational Services
- 1.4 Rural Development and WTO Agreement on Agriculture
- 1.5 Health and Social Services under WTO
- 1.6 Let Us Sum Up
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## 1.1 INTRODUCTION

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After World War II, in the late 1940's, world leaders gathered in Bretton Woods and created two institutions: the World Bank (WB) and the International Monetary Fund (IMF). The World Bank emerged with the purpose of supplying loans for the reconstruction of countries destroyed by the war. Soon after, it became a Bank of Development rather than a Bank of Reconstruction, aimed at lending resources to developing countries. Later, another organization was created to regulate commerce activities from where the General Agreement on Tariffs and Trade (GATT), was created. Within the trade area, in 1986, a new round of GATT negotiations was initiated known as the Uruguay Round, which, after over 7 years of negotiations, the Uruguay Round of multilateral trade negotiations were concluded on December 15, 1993, and were formally ratified in April 1994 at Marrakech, Morocco.

An outcome of the Uruguay Round was the creation of the World Trade Organization (WTO). The WTO not only incorporated the GATT, as a general agreement governing the trade of material goods, it also established agreements in other areas with a growing profit perspective: knowledge, investment, and services, known as TRIPS (Trade Related Aspects of Intellectual Property Rights), TRIMS (Trade Related Investment Measures) and GATS (General Agreement on Trade in Services), respectively. The WTO gives the trade rules both a permanent organizational structure (powers that GATT did not have) and the kind of legal personality enjoyed by the UN, the World Bank, and the IMF.

As an extension and development worker you need to understand the basic implications of trade negotiations of WTO agreement for important sectors like higher education, agriculture, rural development, health and family welfare etc. Therefore after studying this unit, you should be able to:

- describe the origin and emergence of the WTO; and
- discuss the implications of the WTO in higher education, agriculture, rural development and health sectors.

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## 1.2 BASIC BACKGROUND AND EMERGENCE OF THE WTO

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The WTO is a relatively new international organization. However, it is responsible for a system that is over 50 years old. Established on 1 January 1995, the WTO replaced the General Agreement on Tariffs and Trade (GATT), which dated back to 1948. This was a consequence of a decision taken by governments after seven and a half years of negotiations (the “Uruguay Round”), which ended in 1994. With the WTO’s creation, the rules were expanded to new areas. While the GATT dealt with trade in goods only, the WTO covers trade in services and intellectual property as well. There are also some areas, such as textiles, agriculture and sanitary and phytosanitary measures, where the WTO goes beyond the GATT by having established specific trade rules. Under the WTO, the procedure for settling trade disputes has also been strengthened.

### 1.2.1 WTO Structure

The WTO’s top decision-making body is the Ministerial Conference which meets at least once every two years. The General Council, which is normally attended by ambassadors and other Geneva-based delegates, or capital-based officials (who may include health experts), meets several times a year in the Geneva headquarters. The General Council also meets as the Trade Policy Review Body and the Dispute Settlement Body (DSB). Delegates at the day-to-day meetings of the WTO are government representatives of all WTO Members and representatives of observer organizations. Both during negotiations and in the WTO committee work, decisions are made by consensus. Voting is possible but it has never been used in the WTO.

### 1.2.2 Basic Function of WTO

One of the key functions of the WTO is to serve as a forum for trade negotiations. The WTO facilitates the implementation, administration and operation of the various covered agreements; however, the power of initiative in the context of the Organization rests not with the Secretariat but with Member governments whose representatives constitute and preside over the many councils and committees dealing with issues that arise in connection with the agreements.

The WTO is not a funding organization; it has no mandate to finance development projects. However, the WTO provides technical assistance to developing countries. The aim of this assistance is both to assist Members in the implementation of WTO agreements and to train officials so that they understand the system and its agreements, know how to administer them, and negotiate more effectively. Technical assistance is also extended to acceding countries. The training is often rather “legal” and is aimed at providing an understanding of rights and obligations members have under the various agreements.

#### **Objective of WTO**

The objective of the WTO is illustrated by the preamble to the Agreement Establishing the WTO, signed in Marrakesh in April 1994:

“Recognizing that relations in the field of trade and economic endeavour should be conducted with a view to raising standards of living, ensuring

full employment and a large and steadily growing volume of real income and effective demand, and expanding the production of and trade in goods and services, while allowing for the optimal use of the world's resources in accordance with the objective of sustainable development, seeking both to protect and preserve the environment and to enhance the means for doing so in a manner consistent with their respective needs and concerns at different levels of economic development”.

### 1.2.3 Principles of the Trading System

The WTO establishes a framework for trade policies; but does not define or specify outcomes. That is, it is concerned with setting the rules of the trade policy games. Five principles are of particular importance in understanding both the pre-1994 GATT and the WTO:

- i) **Non-Discrimination:** This has two major components: the Most Favoured Nation (MFN) rule and the national treatment policy. The MFN rule requires that a WTO member must apply the same conditions on all trade with other WTO members, i.e., a WTO member has to grant the most favourable conditions under which it allows trade in a certain product type to all other WTO members. National treatment means that imported goods should be treated no less favourably than domestically-produced goods (at least after the foreign goods have entered the market) and was introduced to tackle non tariff barriers to trade (e.g., technical standards, security standards, etc., discriminating against imported goods).
- ii) **Reciprocity:** This reflects both a desire to limit the scope of free-riding that may arise because of the MFN rule, and a desire to obtain better access to foreign markets. A related point is that for a nation to negotiate, it is necessary that the gain from doing so be greater than the gain available from unilateral liberalization; reciprocal concessions are intended to ensure that such gains will materialize.
- iii) **Binding and enforceable commitments:** The tariff commitments made by WTO members in a multilateral trade negotiation, and, on accession, are enumerated in a schedule (list) of concessions. These schedules establish ‘ceiling bindings’: a country can change its bindings, but only after negotiating with its trading partners, which could mean compensating them for loss of trade. If satisfaction is not obtained, the complaining country may invoke the WTO dispute settlement procedures.
- iv) **Transparency:** The WTO members are required to publish their trade regulations, to maintain institutions allowing for the review of administrative decisions affecting trade, to respond to requests for information by other members, and to notify changes in trade policies to the WTO. These internal transparency requirements are supplemented and facilitated by periodic country-specific reports (trade policy reviews) through the Trade Policy Review Mechanism (TPRM).
- v) **Safety valves:** In specific circumstances, governments are able to restrict trade. There are three types of provisions in this direction: articles allowing for the use of trade measures to attain non economic objectives; articles

aimed at ensuring “fair competition”; and provisions permitting intervention in trade for economic reasons. Exceptions to the MFN principle also allow for preferential treatment of developing countries, regional free trade areas, and customs unions.

### Check Your Progress 1

**Note:** a) Use the spaces given below for your answers.

b) Check your answers with those given at the end of the unit.

1) What do you mean by WTO and what are the functions of WTO?

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2) Write, in brief, the principles of the trading system.

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3) Expand the following abbreviations.

GATT : .....

TRIPS : .....

TRIMS : .....

GATS : .....

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## 1.3 WTO AND TRADE IN EDUCATIONAL SERVICES

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Higher education is a service that contributes to national development, integration and regional cohesion. Higher education in particular has been viewed in many developing countries as a significant contributor to sustainable development and poverty alleviation. In view of its public mandate, higher education in most countries is regulated by competent bodies. However, higher education is also a service recognized under the GATS of the WTO. It is therefore subject to WTO’s essential principles of promoting trade liberalization, market access and equitable treatment to all participants. But very little is known about the consequences of free trade in educational services. Also it is difficult to define which educational services are strictly commercial and which are public services. The present section based on paper by Soam et al., (2007) discuss some important implications of GATS to higher education.

The three significant aspects of GATS agreement are:

- i) **Market Access:** It means the degree to which market access is granted to foreign providers in specific sectors. Each country determines limitations on market access for each committed sector.
- ii) **Most Favoured Nation:** Most Favoured Nation is a status or level treatment accorded by one state to another in international trade. The term means the country which is the recipient of this treatment must, nominally, receive equal trade advantages as the “most favored nation” by the country granting such treatment. (Trade advantages include low tariffs or high import quotas.) In effect, a country that has been accorded MFN status may not be treated less advantageously than any other country with MFN status by the promising country.
- iii) **National Treatment:** This requires equal treatment for foreign and domestic providers. Once a foreign supplier has been allowed to supply a service in one’s country there should be no discrimination in treatment between the foreign and domestic providers. It is important to note that the NT applies where a country has made specific commitment and exemptions are allowed.

### 1.3.1 GATS and Higher Education – An Analysis

The provisions and obligations under GATS such as Market Access (MA) and National Treatment (NT), and their implications for higher education are crucial for various developing countries. Rapid advancement of Information and Communication Technology (ICT) and international regulatory arrangements are increasing the scope and utility of service transactions in the global economy. We discussed in the first section that for tapping these opportunities more effectively, the WTO has created an international mechanism through the GATS. Education is one of the services identified in this agreement. Applying the provisions of GATS directly to higher education, can have serious implications for the developing countries. This is because higher education has been considered a key public service in these countries for ensuring sustainable development, regional cohesion and national integration. It is therefore subject to high degree of regulation and control in many countries. At the same time, the developing countries, as key stakeholders in the WTO, also subscribe to its essential principles of liberalization of trade, market access and equitable treatment as means of accelerated development.

GATS covers 12 core service sectors that are further subdivided into 160 sub-sectors; education is one of the core sectors, which is categorized into five sub-sectors as per United Nations Central Product Classification (CPC). The sub-sectors in education are:

- Primary education services
- Secondary education services
- Higher education services
- Adult education services
- Other education services

### 1.3.2 Modes of Supply of Trade Services under GATS

GATS define services trade as occurring via four modes of supply all of which are relevant to education.

- Mode 1* : *Cross border delivery*: delivery of education services via internet (distance education, tele-education, education testing services)
- Mode 2* : *Consumption abroad*: movement of students from one country to another for higher education (foreign students in US universities)
- Mode 3* : *Commercial presence*: establishment of local branch campuses or subsidiaries by foreign universities in other countries, course offerings by domestic private colleges leading to degrees at foreign universities, twinning arrangements, franchising
- Mode 4* : *Movement of natural persons*: temporary movement of teachers, lecturers, and education personnel to provide education services overseas

#### **India's Interests in Import and Export of Educational Services**

##### **Import interests in Education Services**

*Mode 1* : Prospects for distance education and degrees from foreign academic institutions

*Mode 2* : Indian students studying in foreign universities (US, UK, Australia etc.)

*Mode 3* : Foreign institutions entering India through twinning and franchise

Arrangements/Indian students getting foreign degrees, doing professional courses at local branch campuses of foreign institutions in India.

Examples : UK-based Wigan and Leigh College ; Indian School of Business tie-up with Kellogg, Tata Infotech tieup with Hertfordshire University, UK

*Mode 4* : Foreign faculty and scholars teaching in India

##### **Export Interests in Education Services**

*Mode 1* : Prospects for tele-education in management and executive training.

*Example* : Experience with distance learning, use of new technologies of IGNOU.

*Mode 2* : Students from developing countries studying in Indian engineering and medical colleges and exchange programmes and twinning arrangements.

*Mode 3* : Setting up of overseas campuses, franchising by Indian institutions

*Mode 4* : Indian teachers, lecturers teaching abroad in Middle East, Africa, researchers/scholars on visiting arrangements abroad

(Source : Rupa Chanda, 2004)

### 1.3.3 Like Services Issues of Higher Education under GATS

Under GATS, the concept of 'like services' and 'like service suppliers' is critical for deciding whether measures are consistent with respect to the provisions for Market Access (MA - a quota free entry without any trade distortive measures) and National Treatment (NT - no less favourable treatment). Some examples of possible inconsistencies of interpretations on 'like services' related to higher education with examples are given below.

i) **Training in a Foreign Country and Professional Practice in India:** A veterinary graduate, including an Indian citizen trained in country A, is denied registration with Veterinary Council of India (VCI), but is registered if trained in country B. This discrimination is a *de facto* measure because graduates trained in country B may be more suited to Indian needs, and the examination system of country B may be more reliable. This is consistent with GATS provisions because:

- Both foreigners and Indian citizens have access to universities in country A and B.
- Even Indian citizens trained in country A are not registered.

It can be argued, however, that these provisions are not in accordance with GATS provisions, as students trained in country A are being denied registration. But it will not be inconsistent with Most Favored Nation (MFN) provisions if limitations are placed in specified schedules. In India, the National Board of Examination of the Ministry of Health conducts a screening test for Indian nationals obtaining medical qualification from abroad; for clinical practice they are registered with Medical Council of India (MCI) only after qualifying this particular screening test ([www.natboard.nic.in](http://www.natboard.nic.in)). If VCI adopts the similar practice for registration of veterinary graduates trained abroad in any country, then it is a *de jure* measure and consistent with NT and MFN.

ii) **Services of EduSat:** Government of India has launched an educational satellite called 'EduSat' which gives service for public universities on highly subsidized rates for education and training. A foreign university with a commercial presence in India may demand services of 'EduSat' at the same price to provide distance education in those subjects that lead to highly remunerative jobs in the labour market. If demand by foreign universities is not acceded to, is it inconsistent with principle of MA and NT? One has to decide whether both are like services or not.

iii) **Subsidies for Private and Public Universities:** GATS does not define subsidies. Demands by private universities for subsidies similar to public universities may not be met because India has not committed to private education services. Universities which also have private arms must not be treated identical to public universities. Private universities are covered under service tax provisions in India. The issue of applicability of tax provisions to the Indian branches of foreign universities needs clarity.

Majority of higher education institutions in India are subject to multiple controls like various ministries and councils under state or central governments. Therefore measures by central and state governments

related to quantitative restrictions, or registration requirements have an effect on 'trade in services' under GATS. Measures such as curriculum design, student welfare, infrastructure development, delivery methods, strategic controls through fund provisions and administrative procedures mainly affect 'internal supply of service'. Several controlling authorities coupled with the importance of local content in the curricula put education into special category with reference to GATS. However, higher education in certain areas like medicine and engineering do not have multiple controls as these are mostly governed by the regulations of statutory authorities such as UGC, Medical Council of India (MCI) and All India Council for Technical Education (AICTE) respectively.

**Check Your Progress 2**

**Note:** a) Use the spaces given below for your answers.

b) Check your answers with those given at the end of the unit.

1) What do you mean by the following terms?

a) Market Access

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b) National Treatment

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c) Most Favoured Nation

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2) Write, the four modes of supply of trade services under GATS.

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## 1.4 RURAL DEVELOPMENT AND WTO AGREEMENT ON AGRICULTURE

Dear learner, you are aware that, the major objective of rural development is the alleviation of rural poverty and overall development of people in the rural areas. Agriculture plays a critical role in rural development. One of the central non-trade concerns being taken into account by WTO negotiations is rural development and agriculture. This section based on a paper by Pearce and Morrison (2001), reviews the critical features of the WTO Agreement on Agriculture that may influence policy formulation for rural development.

### 1.4.1 Rural Development, Poverty and Agriculture

**Poverty is largely a rural problem:** More than 75 percent of the world's poor live in rural areas and a majority of the poor will continue to live in rural areas well into the 21<sup>st</sup> century. Virtually in all developing countries, the rural poor outnumber the urban poor, often by a factor of two or more (FAOSTAT, 2001; IFAD, 2001). The rural poor suffer deeper levels of poverty than their urban counterparts and have much more limited access to basic social services such as sanitation, safe water, health services and primary education; thus they suffer disproportionately from hunger, ill health and illiteracy.

**Agriculture is the key to alleviating rural poverty:** Agriculture employs more than half of the total labour force in developing countries and almost three quarters in lower-income developing countries. Most of the world's extreme poor depend on agriculture for their livelihoods. Agriculture has strong backward and forward linkages to the rural non-farm sector, purchasing inputs such as seeds and implements, supplying raw materials for agro-based industries and generating demand for local goods and services such as housing, furniture and clothing (John, M, 2001). Hence, agricultural growth can increase the income of the rural poor both directly, through increased production and additional demand for farm labour, and indirectly, through linkages with non-farm productive activities in the rural areas.

**Sustainable agricultural growth and rural development can be achieved:** The key ingredients to this end include (IFAD, 2001):

- Access or entitlement to assets (e.g. Land, water, farm animals and technology)
- Access to fair and competitive markets - both domestic and international - for farm products; and
- The necessary information and physical infrastructure to reach these markets.

**The international agricultural trading environment:** The current international trading context for agriculture affects rural development in developing countries in various ways, in particular through:

- Market distortions arising most often from subsidized competition from developed countries
- Market access barriers to the agricultural exports of the developing countries.

In addition, attempts to reform international trade in agriculture by disciplining national policies may also constrain governments of developing countries in their efforts to promote agricultural growth, since they limit the types of support policies that may be implemented. The WTO negotiations on agriculture, therefore, are of crucial importance to developing countries in their pursuit of sustainable rural development.

**Priorities for accelerating rural development:** The unfulfilled potential / problems in agriculture of many developing countries are:

- Productivity levels that are only about one third of potential yields
- Use of early stage of agricultural technology
- Low diversification in production
- Prevalence of market imperfections
- Inadequate functioning of research and extension institutions
- Natural monopolies
- Depressed agricultural prices - resulting in part from subsidy-induced overproduction and trade barriers

Priorities for accelerating agricultural growth and rural development in most developing countries include:

- Developing the productive potential of the agricultural sector through the modernization of farming practices
- Diversifying within agriculture and into non-farm productive activities
- Safeguarding rural livelihoods from unfair competition and excessive fluctuations in world and domestic markets.
- Mobilizing significant new investments in rural infrastructure, agricultural research and extension services to overcome the handicaps, acquire the technology and skills to raise productivity and competitiveness.

**Safeguarding rural livelihoods:** Given their high dependence on agriculture for incomes and the large share of food in their household budgets, rural people are vulnerable to external agricultural market instability and to import surges that could eliminate otherwise viable rural production activities. The effort to protect the livelihoods of small rural farmers may require the use of border control measures such as tariffs and safeguard measures to attenuate the adverse impact of subsidized imports and world price fluctuations.

#### **1.4.2 WTO vs Agriculture and Rural Development**

While the focus of the WTO Agreement on Agriculture (AoA) is not on rural development per se the Agreement has significant implications for the livelihoods of rural people in developing countries. Rural development, like food security, has been identified as a major non-trade concern in the negotiations on agriculture. Much has been said about how the AoA can contribute to food security, especially in the developing countries, and many negotiating proposals have been tabled on this subject.

The AoA has direct bearing on the development of agriculture and rural non-farm activities in the developing countries as well as on the ability of these countries to stabilize and sustain rural incomes. In view of the overriding role of agriculture in the predominantly rural-based developing economies, it is crucial for their rural development, and for their socio-economic development in general, to enhance their:

- i) Domestic capacities of agriculture
- ii) Improve access to foreign markets and safeguards
- iii) Export subsidies

**Domestic Supports to Promote Rural Development:** The AoA commitments on domestic support were designed to solve a problem developing countries do not have; namely, that of over-production. On the contrary, the central thrust of agricultural policy in most developing countries is to boost productivity in order to harness the full potential of the agricultural sector as an engine for sustainable rural development. Although the current AoA commitments give developing countries considerable policy freedom, the basic thrust of the agreement is toward limiting the use of production-enhancing supports. Briefly, they are granted the 10 percent de minimis exemptions for product-specific and non-product-specific supports, exemptions for support provided under the green box, and exemptions for support provided under special and differential treatment (SDT) for developing countries. Although these provisions, taken together, constitute a wide range of measures to address the particular nature of agriculture in developing countries, many such countries view them as falling short of what is necessary and as failing to provide the requisite policy flexibility. While most developing countries are not currently constrained by their domestic support commitments, some may find their rural development policy options limited in the future.

Most developing countries also lack the financial and administrative capacity to implement measures covered by the green box, such as income safety-net programmes, and therefore may need recourse to price-based supports. As discussed above, public support in areas such as agricultural credit, fertilisers, transport, irrigation and fuel are important aspects of the development strategies of many developing countries, and additional flexibility in their use may be needed.

**Improve Access to Foreign Markets and Safeguards:** The market access provisions of the AoA influence the ability of developing countries to protect their domestic markets from excessive volatility in world market conditions or from subsidized production and exports from other countries. Although price instability on world markets affects all countries, the consequences can be much greater for the rural population in developing countries. Many of their farmers have difficulty in competing with cheaper imported products in their domestic market, in part because of subsidies used abroad and in part because of the underdeveloped character of local production and marketing. To counter the effects of subsidies and excessive price fluctuations, developing countries need access to a simple WTO-compatible safeguard or contingency measure.

A moderate level of border protection may also be desirable for countries that are attempting to develop the full capacity of their agricultural sector, including the agro-processing industry, notably for certain countries where anomalies in

the tariff structure have left some basic food commodities and potentially competitive processed products with very low bound tariffs. For such countries it may be desirable to allow some “rebalancing” of their bound tariffs. If developing countries are to use agricultural exports as a means of supporting agricultural growth and rural development, they need transparent and reliable access to the markets of developed countries and higher-income developing countries.

**Export Subsidies:** Export subsidies constitute unfair competition with producers in countries that do not provide such subsidies. They depress prices in the recipient country and in world markets, and displace the produce of more efficient producers. Other forms of export competition, such as export credit subsidies and food aid abuse, can have similarly negative impacts on producers in recipient countries and other potential suppliers. All forms of export competition should be disciplined. This does not negate the important role that genuine food aid can play in recipient countries, particularly in net food-importing developing countries and least developed countries suffering from recurrent food production deficits and other emergencies.

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## 1.5 HEALTH AND SOCIAL SERVICES UNDER WTO

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International trade in health services is growing in many areas. Health professionals are moving to other countries, whether on a temporary or permanent basis, usually in search of higher wages and better working conditions. There have also been notable increases in foreign investment by hospital operators and health insurance companies in search of new markets. In addition, more and more countries are seeking to attract health consumers from other countries.

Depending on appropriate regulatory conditions, trade liberalization can contribute to enhancing quality and efficiency of supplies and/or increasing foreign exchange earnings. For example, hospitals financed by foreign investors can provide certain services not previously available. In a few developing countries, such as Thailand and Jordan, the health sector serves as a regional supply centre that attracts foreign patients who can contribute to domestic income and employment. Some developing countries, notably Cuba, India and the Philippines, “export” their doctors and nurses, producing foreign exchange remittances and filling supply gaps in host countries.

However, not all countries may be well positioned to turn these gains into health benefits for the majority of people. Trade in health services, in some cases, has exacerbated existing problems of access and equity of health services and financing, especially for poor people in developing countries. For example, an increase in the “brain drain” of health professionals leaving low-income countries to work in higher-income countries can worsen health personnel shortages in developing countries. There are also fears that the benefits of opening markets will be concentrated among the wealthy. Such problems could be addressed through appropriate regulation. GATS leaves countries the flexibility to manage trade in services in ways that are consistent with their national health policy objectives. It is even possible under GATS to impose additional or more rigid requirements on foreign services providers. Trade liberalization heightens the

need for effective regulatory frameworks to ensure that private sector activity in the health system generates the expected benefits. While regulatory strategies could be used to reduce unwanted developments, enforcement capacity may be weak in some countries.

Health and social services includes hospital services (i.e. health services delivered under the supervision of doctors), other health services (i.e. ambulance services and residential health facilities), social services and “other” health and social services. It does not include medical and dental services, veterinary services and the services provided by nurses, midwives etc., which are grouped separately under “professional services”.

#### **Eight Health Issues Covered Under WTO**

- i) Infectious disease control
- ii) Food safety
- iii) Tobacco
- iv) Environment
- v) Access to drugs
- vi) Health services
- vii) Food security and nutrition
- viii) Emerging issues (such as biotechnology)

### **1.5.1 Current Commitments, Exemptions and Negotiations**

Health services are one of the least-committed sectors. Less than 50 WTO members (the EC-27 counting as one) have undertaken commitments in one of the four health services sub-sectors; most of the commitments concern hospital services. The level of commitments in relevant health-related professional services is in the same range.

With the development of tele-medicine (medical services provided via telecommunications), cross-border supply of services (Mode 1) is of increasing importance. Nevertheless, there are fewer commitments for Mode 1 than for any other mode.

Some countries view the treatment of foreign patients entering their territory (Mode 2) as offering interesting opportunities for economic development. As in other sectors, Mode 2 commitments tend to be rather liberal as most governments have limited ability to prevent consumers from seeking medical treatment abroad.

Mode 3 commitments (a foreign company setting up subsidiaries or branches to provide services in another country) offer an interesting avenue for countries wishing to encourage foreign investment in the health sector. Over 40 members have made commitments, often subject to restrictions, such as economic needs tests (a test using economic criteria to decide whether the entry into the market of a foreign firm is warranted on economic grounds), and limitations on the share of foreign capital.

Overall, Mode 4 commitments (movement of natural persons) remain limited in scope in this as well as in all other service sectors. Only one exemption to most-

favoured nation (MFN) treatment (i.e. non-discrimination) has been taken in this sector.

Health and social services have attracted very limited attention in the services negotiations, which began in January 2000. It is the only major sector where no negotiating proposal and no collective request have been tabled. In the Special Session of the Council for Trade in Services, some members have identified the removal of limitations relating to non-portability of insurance schemes under Modes 1 and 2 as objectives for the market access negotiations in this sector.

### Check Your Progress 3

**Note:**a) Use the spaces given below for your answers.

b) Check your answers with those given at the end of the unit.

1) Do you agree that poverty is largely a rural problem? Support your answer

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2) How WTO Agreement on Agriculture supports rural development through agriculture?

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## 1.6 LET US SUM UP

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In this unit we discussed the origin and evolution of WTO and understood that WTO not only incorporated the GATT, as a general agreement governing the trade of material goods, it also established agreements in other areas with a growing profit perspective: knowledge, investment, and services, known as TRIPS, TRIMS and GATS. Later we discussed the implications of trade in educational services and obligations under GATS such as Market Access and National Treatment. Under this section we also discussed the four modes of supply of trade services under GATS and understood the India's interests in import and export of educational services. Soon after in the next section, the critical features of the WTO Agreement on Agriculture that may influence policy formulation for rural development were delineated. In the last section we discussed briefly the health and social services under WTO.

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## 1.7 KEYWORDS

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<b>GATT</b>	:	General Agreement on Tariffs and Trade
<b>WTO</b>	:	World Trade Organization
<b>TRIPS</b>	:	Trade Related Aspects of Intellectual Property Rights
<b>TRIMS</b>	:	Trade Related Investment Measures
<b>GATS</b>	:	General Agreement on Trade in Services
<b>Market Access</b>	:	The degree to which market access is granted to foreign providers in specific sectors.
<b>National Treatment</b>	:	Equal treatment for foreign and domestic providers.
<b>Mode 1</b>	:	<i>Cross border delivery</i> : delivery of education services via internet (distance education, tele-education, education testing services)
<b>Mode 2</b>	:	<i>Consumption abroad</i> : movement of students from one country to another for higher education (foreign students in US universities)
<b>Mode 3</b>	:	<i>Commercial presence</i> : establishment of local branch campuses or subsidiaries by foreign universities in other countries, course offerings by domestic private colleges leading to degrees at foreign universities, twinning arrangements, franchising
<b>Mode 4</b>	:	<i>Movement of natural persons</i> : temporary movement of teachers, lecturers, and education personnel to provide education services overseas

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## 1.9 CHECK YOUR PROGRESS – POSSIBLE ANSWERS

### Check Your Progress 1

- 1) WTO is an international organization designed by the United Nations members to coordinate and liberalize the trading and service sectors from the government control for more development and better services in the areas of trade, commerce, and services sectors, globally. The main function of WTO is regulation of trade between participating countries. It also provides a broad framework for negotiating and formalizing trade agreements. It provides a mechanism for conflict and dispute resolution amongst the member countries.
- 2) The principles of trading systems are: non-discrimination; reciprocity; binding and enforceable commitments and; transparency in the trading system.
- 3) GATT : General Agreement on Tariffs and Trade  
TRIPS : Trade Related Aspects of Intellectual Property Rights  
TRIMS: Trade Related Investment Measures  
GATS : General Agreement on Trade in Services

### Check Your Progress 2

- 1) a) Market access means the degree to which market access is granted to foreign providers in specific sectors. Each country determines limitations on market access for each committed sector.  
b) National treatment means equal treatment for foreign and domestic providers in trade and services.  
c) Most Favoured Nation is a status or level treatment accorded by one state to another in international trade. country which is the recipient of this treatment must, nominally, receive equal trade advantages as the “most favored nation” by the country granting such treatment.
- 2) The four modes of supply of trade services are : *Mode 1: Cross border delivery*: delivery of education services via internet ; *Mode 2: Consumption abroad*: movement of students from one country to another for higher education; *Mode 3: Commercial presence*: establishment of local branch campuses or subsidiaries by foreign universities in other countries and ; *Mode 4: Movement of natural persons*: temporary movement of teachers, lecturers, and education personnel to provide education services overseas.

### Check Your Progress 3

- 1) Yes. Poverty is largely a rural problem. Because more than 75 percent of the world's poor live in rural areas and virtually in all developing countries, the rural poor outnumber the urban poor, often by a factor of two or more. Therefore, the rural poor suffer deeper levels of poverty than their urban counterparts and have much more limited access to basic social services such as sanitation, safe water, health services and primary education.
- 2) WTO Agreement on Agriculture supports rural development through agriculture by enhancing domestic capacities of agriculture, improve access to foreign markets and safeguards and by export subsidies.