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DAILY EDITORIAL ANALYSIS

TOPIC

WTO REFORM: INDIA'S MOMENT

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Context

- **The World Trade Organization (WTO)** faces a fundamental challenge like accommodating changing economic realities without undermining the interests of its most vulnerable members amid geopolitical tensions and growing protectionism.

About the World Trade Organization (WTO)

- It was founded on **1 January 1995** as a result of the **Marrakesh Agreement**, which was meant for the regulation of international trade.
- It offers a shared platform on which trade rules can be negotiated and disputes resolved.
- It currently has 166 members.

Key Principles

- **Most-Favoured-Nation (MFN):** The trade benefits given to one member are also extended to the other members, with certain exceptions allowed.
- **National Treatment:** It means that discrimination against imported products should not take place once they have entered the domestic market.
- **Special and Differential Treatment (S&DT):** It gives developing countries and the least-developed countries (LDCs) the opportunity to have more flexible arrangements and extra time for implementation.
- **Consensus-based decision-making:** It aims at reaching agreement among the members while at the same time safeguarding their own sovereign interests.

Revisiting the WTO's Foundational Principles

- The framework of the WTO aimed at incorporating developing countries into global trade while taking into account the developmental limitations which these countries had due to their position in a different economic environment.
- On the other hand, the rise of **new economic powers**, the **continued poverty** in a number of developing countries and the **increasing geopolitical rivalries** have made this framework more complicated.
- About **72% of global trade** is still carried out on MFN terms even though there are unilateral tariffs and trade restrictions, which shows that the rules of multilateral trade are still relevant.

Key Reform Agendas

- **Emerging Economy Dilemma:** The **WTO's Global Trade Outlook (2026)** shows that merchandise trade volume grew by 4.2% in 2025, which is an increase from the 2.8% growth recorded in 2024.
 - ♦ It is reported that about 30 of the major **emerging market economies (EMEs)** made up approximately \$6.7 trillion of the total \$26.26 trillion in global merchandise exports in 2025.
 - ♦ A more differentiated approach to S&DT might enhance fairness, but the establishment of strict categories could have the effect of splitting up the Global South and thus reduce its overall negotiating power.
- **Reforming Consensus-Based Decision-Making:** The system of **consensus-based decision-making** safeguards smaller economies against being dominated by more powerful members; however, **prolonged disagreements** can stop negotiations from reaching significant results.
 - ♦ The **Trade Facilitation Agreement (TFA) of the WTO** provides a useful example since the implementation commitments are tied to the capacities of the various members, and the more developed countries take on their obligations right away.

- **Protecting MFN and Addressing Plurilateral Agreements:** The universality of WTO rules is under threat from unilateral tariffs, discriminatory trade measures, and the expansion of bilateral and regional free-trade agreements.
 - ♦ At the same time, initiatives involving investment facilitation, e-commerce, MSMEs and trade barriers related to gender have become more important.
- **Reviving the Dispute Settlement Mechanism:** The dispute settlement mechanism has been revived since December 2019 because the vacancies on the **WTO's Appellate Body** had previously not been filled due to the United States blocking the appointments.
 - ♦ As a result, the application of trade rules has declined, especially in the case of countries which do not have the economic strength to ensure compliance by means of bilateral negotiations.

India's Opportunity

- **Agricultural and Fisheries Subsidies:** India has to strike a balance between ensuring food security and protecting the livelihoods of people and the requirement for sustainable agricultural and fisheries policies.
 - ♦ The **Green Box** measures which are eligible are exempt from the reduction commitments provided for in the **Agreement on Agriculture (AoA)**.
 - ♦ India has the possibility of enhancing its targeted income support and increasing investment in agricultural infrastructure while still keeping in place the necessary safeguards for vulnerable farmers.
 - ♦ The funding provided to the fishing industry should focus on supporting the livelihoods of fishers, on the conservation of fish resources and on promoting sustainable methods rather than simply increasing fishing capacity.
- **Reforming Decision-Making:** India could promote a negotiating process that is oriented towards consensus but at the same time more effective, featuring different implementation timelines and providing technical assistance to developing countries.
 - ♦ In order for any reform to take place, it is necessary to ensure that powerful economies do not impose rules without first having adequate participation from the smaller members.
- **Engaging with Plurilateral Agreements:** India should constructively take part in such initiatives where they have an impact on its economic interests with respect to plurilateral agreements, in particular in the areas of e-commerce, MSMEs and investment facilitation.
 - ♦ Participation would enable India to influence emerging rules rather than merely adapt to standards developed elsewhere.
 - ♦ Such engagement needs to protect domestic policy space, digital sovereignty, and development priorities.
- **Restoring Dispute Settlement:** India could cooperate with the European Union and the other middle powers in setting up an appellate mechanism that is acceptable to all, learning from the interim arrangements such as the **Multi-Party Interim Appeal Arbitration Arrangement (MPIA)**.
 - ♦ The reforms ought to guarantee judicial independence, procedural fairness, enforceability and affordable access in developing countries.

Way Forward for India

- India should pursue a **pragmatic, inclusive and reform-oriented trade diplomacy** based on five priorities:
 - ♦ **Differentiated S&DT:** Link the flexibilities for S&DT to the clear developmental needs of countries while avoiding the establishment of arbitrary distinctions among developing countries.
 - ♦ **Coalition Building:** Build coalitions by working with the **EU, African countries, Brazil and other middle powers** in order to overcome the differences that arise during negotiations.
 - ♦ **Sustainable Subsidies:** Ensure food security and people's livelihoods while promoting environmentally sustainable forms of support.

- ♦ **Rule Making Engagement:** Participate selectively and constructively in plurilateral negotiations while ensuring that your national interests are protected.
- ♦ **Institutional Revival:** Focus on reforming the dispute settlement mechanism, enhancing transparency, and improving the negotiating process.

Conclusion

- The crisis of the WTO is not merely a fall in trade; it is a crisis concerning trust, representation and the effectiveness of the institution.
- India can regain its credibility by combining strategic autonomy with active participation in multilateralism.
- The aim must not be to leave all the existing rules unchanged nor to give up multilateralism, but rather to create a global trading system that is more fair, more representative and focused on development.

Source: BS

Daily Mains Practice Question

- [Q] The changing global economic order has exposed the limitations of the World Trade Organization (WTO)'s existing framework. Discuss the major challenges facing the WTO and examine how India can contribute to its reform.

