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**TOPIC: WTO**

**Rather than withdraw from WTO, India should strengthen trade multilateralism**

**India and WTO: Should India Exit?**

### 1. Farmers' Demand to Exit WTO

- Some Indian farmers argue that exiting the WTO will allow India to set a minimum support price (MSP) without restrictions.
- WTO's Agreement on Agriculture (AoA) categorizes MSP as a trade-distorting subsidy, limiting India's ability to offer higher MSPs.

### 2. Issues with the AoA

- The external reference price (ERP), used to compare MSP, is outdated and hasn't been updated in decades, causing a widening gap due to inflation.
- India has been unable to resolve this issue through WTO negotiations.

### 3. Policy Leeway Under Current WTO Framework

- India can still support farmers through higher MSP under the peace clause, which prevents legal challenges for exceeding subsidy limits.
- Other policy instruments, such as the Pradhan Mantri Kisan Samman Nidhi, can be enhanced to support farmers, though the 2025 budget missed this opportunity.

### 4. Consequences of Exiting the WTO

- Exiting the WTO would eliminate national treatment and most-favoured-nation treatment for India's exports, harming its global competitiveness.
- India would have to negotiate numerous bilateral or free trade agreements (FTAs), which are more complex and have stricter terms.

### 5. WTO's Role in Trade Disputes

- The WTO provides a mechanism for resolving trade disputes, which India has used successfully.
- If India leaves the WTO, it loses this recourse, which is essential for protecting Indian goods and services in international markets.



## 6. The Current WTO Crisis

- The WTO is facing challenges, especially with the US moving away from it.
- A weakened WTO could give the US more power to act unilaterally, leading to greater trade protectionism, which would harm India.

## 7. Multilateral Trade: India's Best Option

- Multilateralism through the WTO is essential for India to maintain fair trade practices and counter rising protectionism.
- India's development prospects are better served by strengthening the WTO rather than exiting it.

## Conclusion

Exiting the WTO is not the right solution for India. While it is important to address the concerns of farmers regarding MSP, India can work within the current WTO framework to enhance support for farmers. Leaving the WTO would expose India to greater risks in global trade, limiting its ability to access export markets and resolve disputes. Instead, India should focus on strengthening the WTO and ensuring it remains a platform for fair and balanced international trade.

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