

## 2. WTO Multilateral Trade System – Economy

India Reaffirms Commitment to WTO – Centred, Fair-Trade System at SCO Trade Ministers' Meeting. At a recent SCO meeting, India championed a strong, rules-based WTO to ensure fair trade and food security for developing nations. This call comes as the WTO's dispute settlement system is paralyzed because its Appellate Body is non-functional, undermining global trade rules. India's strategy involves pushing for WTO reforms while strengthening its domestic economy and advocating for the Global South.

### India's Stance at the SCO Trade Minister's Meeting

**Core Message –** At the meeting in Vladivostok, Russia, India strongly reaffirmed its support for a WTO-centered, fair, inclusive, and rules-based multilateral trade system.

**Strengthening the WTO –** India stressed the urgent need to restore the WTO's two-tier dispute settlement system, secure a permanent solution on Public Stockholding (PSH) for food security, and protect Special & Differential Treatment (S&DT) provisions for developing nations.

**Building Resilient Supply Chains –** India advocated for export diversification to reduce dependence on narrow geographies and called for strengthening logistics and connectivity to create de-risked supply chains.

**Empowering MSMEs –** India highlighted the importance of services trade and the temporary movement of skilled professionals under transparent rules to help Micro, Small and Medium Enterprises (MSMEs) integrate into global value chains.

**Digital Public Infrastructure (DPI) –** India showcased its successful DPI models, including UPI, India Stack, and ONDC, as low-cost, replicable, and standards-based solutions that can lower costs and expand market access for MSMEs.

**Climate Equity in Trade –** India reiterated its commitment to the principle of Common but Differentiated Responsibilities (CBDR-RC) and opposed the use of discriminatory climate-linked trade measures (like carbon taxes) that could act as green protectionism.

### Understanding the Multilateral, WTO-Centred Trade System

**Definition –** It is a rules-based global system designed to reduce trade barriers, promote transparency, and ensure predictability in international trade, with the World Trade Organization (WTO) as its institutional anchor.

**Core Principles –** The system is founded on key principles like Most Favoured Nation (MFN) (treating all trading partners equally), National Treatment (treating foreign and local goods equally), Reciprocity, and Transparency.

**Key Functions –** The WTO's primary roles are to administer trade agreements, provide a platform for negotiations, and, crucially, to resolve disputes through its two-tier settlement mechanism.

### Why a WTO-Centred Fair-Trade System is Crucial Now

**Countering Rising Protectionism –** A rules-based system is the primary defense against the growing use of unilateral tariffs, sanctions, and trade wars by major economies.

**Ensuring Food Security –** Developing nations like India require a permanent WTO solution for Public Stockholding (PSH). This would allow them to run their food security programs for the poor without being penalized for breaching subsidy limits.

**Protecting Developing Nations – Special and Differential Treatment (S&DT)** provisions are vital as they grant developing countries the flexibility to protect sensitive domestic industries and adopt policies that support their development goals.

**Resolving Disputes Equitably –** A functional dispute settlement body is essential for smaller economies to have a platform to challenge the unfair trade practices of more powerful nations. The current paralysis of the Appellate Body has severely weakened this function.

**Stabilizing Global Supply Chains –** Enforceable WTO rules provide the predictability and transparency needed to build resilient global supply chains and prevent arbitrary export restrictions on critical goods.

like food and fertilizers.

## Challenges Facing the WTO and Global Trade

**Dispute Settlement Paralysis** – The WTO's Appellate Body remains non-functional due to blocked appointments, which has crippled its ability to enforce trade rules and has eroded trust in the system.

**Developed vs. Developing Divide** – Persistent deadlocks exist in negotiations, with advanced economies pushing for stricter rules while developing nations demand greater policy flexibility to address their unique challenges.

**Slow Pace of Reform** – The WTO's consensus-based decision-making process has stalled progress in critical areas like agricultural subsidies, fisheries, and rules for digital trade.

**Rise of Unilateralism and Trade Blocs** – The increasing use of unilateral sanctions and the proliferation of regional trade blocs risk bypassing and fragmenting the multilateral system.

## A Snapshot of India's Global Trade (FY 2024-25)

**Overall Performance** – India's total exports (goods & services) reached a record USD 824.9 billion. This growth was primarily driven by a 13.6% increase in services exports (to ~\$387.5 billion).

**Global Share in Services** – India is a major player in services, accounting for 4.3% of global services trade. It is the 2nd largest global exporter of telecommunications and IT services.

**Trade Deficit** – The merchandise trade deficit stood at USD 94.26 billion.

### Top Trading Partners –

1. **Top Export Destinations** – United States, UAE, Netherlands.
2. **Top Import Sources** – China, Russia, UAE.

## The Way Forward – Revitalizing Global Trade

The most critical and immediate step is the urgent restoration of the two-tier WTO Appellate Body. This is essential to re-establish the credibility of the dispute settlement mechanism and rebuild trust in the entire rules-based multilateral trading system.

## The WTO's Dispute Settlement Mechanism (DSM) – The "Crown Jewel" of Global Trade

**Central Role** – The World Trade Organization (WTO), established in 1995, provides the world's only multi-lateral system for resolving trade conflicts between nations.

**The "Crown Jewel"** – The DSM is often called the WTO's "crown jewel" because it ensures that disputes are settled based on legal rules and predictability, preventing countries from resorting to unilateral actions like trade wars.

**The Dispute Settlement Body (DSB)** – The WTO's General Council convenes as the DSB to manage the process. It has the authority to establish panels, adopt reports, monitor compliance, and authorize retaliatory measures if a country fails to follow a ruling.

### How It Works (The Four Stages) –

1. **Consultations (Up to 60 days)** – The involved parties first attempt to resolve the issue through direct negotiation.
2. **Panel Stage** – If consultations fail, a panel of independent experts is established to examine the case and issue a ruling based on WTO agreements.
3. **Appellate Review** – Either party can appeal the panel's decision to the Appellate Body, which functions as the WTO's supreme court for trade law.
4. **Implementation** – The losing party is obligated to comply with the final ruling. If it fails to do so, the winning party can be authorized by the DSB to impose retaliatory tariffs.

## The Current Crisis – A Paralyzed System

**A Non-Functional Appellate Body** – Since December 2019, the Appellate Body has been non-functional.

**The Cause** – This paralysis was caused by the United States repeatedly blocking the appointment of new judges, citing concerns that the body was overreaching its mandate.

**The Consequence** – Without a functioning Appellate Body, any country that loses a case at the panel stage can appeal the ruling "into the void." This means the appeal is filed but can never be heard, leaving the dispute legally unresolved and the ruling unenforceable. This has created a deep crisis of confidence in the WTO system.

**Interim Solution** – Many members, led by the European Union, have created a temporary fix called the Multi-Party Interim Appeal Arbitration Arrangement (MPIA). However, key players like India and the US are not part of it, leaving them without a binding appeal system.

### Broader WTO Reforms and Key Issues for Developing Nations

**Permanent Solution on Public Stockholding (PSH)** – Developing countries, including India, are demanding a permanent legal solution that allows them to run their food stockholding programs for food security without being penalized for breaching WTO subsidy limits.

**Balanced and Inclusive Reforms** – It is crucial that future WTO reforms protect the principle of Special and Differential Treatment (S&DT), which gives developing nations the flexibility to support their economies, while also addressing new-age issues like digital commerce and climate-related trade measures.

### India's Strategic Way Forward in a Fractured Global Trade System

#### Global and Regional Strategy

1. **Build Resilient Supply Chains** – India must actively work to diversify supply hubs through policies like the Act East Policy and partnerships such as the Quad Supply Chain Initiative to reduce overdependence on any single country.
2. **Reform Multilateral Institutions** – India should collaborate with like-minded nations to revive the stalled WTO and UN reform processes, making global governance more representative and effective.
3. **Strategic Trade Engagement** – It is essential to recalibrate trade relations with neighbors, especially China, while simultaneously deepening Free Trade Agreements (FTAs) and exploring new markets.

#### Domestic Reforms and Leadership

1. **Accelerate Aatmanirbhar Bharat** – India needs to make its domestic industry more globally competitive by reducing regulatory bottlenecks, lowering the cost of doing business, and ensuring policy stability.
2. **Champion the Global South** – India must continue to be a leading voice for the Global South, addressing their needs in food, energy, and technology, and advocating for inclusivity in global climate and trade negotiations.
3. **Showcase India's Best Practices** – India should promote its successes in Digital Public Infrastructure (UPI, ONDC) and the AVGC (Animation, Visual Effects, Gaming, Comics) sector as replicable models of inclusive, technology-driven growth.

### Conclusion – India's Vision for Multilateralism

India's call for a WTO-centered fair trade system is rooted in its vision of a global order based on multilateralism, inclusivity, and resilience. By championing issues like food security, digital innovation, and climate equity, India is positioning itself as a crucial bridge between the developed and developing economies.

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