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Q19

What are the key areas of reform if the WTO has to survive in the present context of 'Trade War', especially keeping in mind the interest of India? (15).

UPSC Civil Services Mains 2018 · GS II · 15 marks · International Institutions

Important International institutions, agencies and fora - their structure, mandate.

Core demand of the question

- What are the key areas of reform if the WTO has to survive in the present context of 'Trade War', especially keeping in mind the interest of India?

Revision summary

US-China tariffs and the Appellate Body vacancy turned WTO politics into a trade war of power.

Survival requires restoring two-tier dispute settlement and limiting security-exception abuse.

India's red lines are public stockholding, SSM, and livelihood-sensitive fisheries rules.

Special and differential treatment, **Mode 4** services and TRIPS health flexibilities must stay.

Plurilateral e-commerce and investment rules should not replace consensus to India's cost.

Introduction

The World Trade Organization survives as a rules club only if members prefer a common court and a common tariff bargain to one-to-one punishment. By 2018 the United States-China tariff conflict, **Section 232** steel measures, and the blocking of Appellate Body appointments had pushed the system toward power rather than law. Reform is therefore about dispute settlement, agriculture and development space, and a negotiating method that still protects India's food security and livelihoods.

Body**The survival problem in a trade war**

- A trade war is extra-WTO tariff retaliation, national-security claims, and subsidy races that the WTO rule-book only partly covers.
- If the Appellate Body dies, members cannot finish appeals; losing parties "appeal into the void". Rules without a two-tier court are lectures.
- Plurilateral deals among the large economies can freeze India out of rule-making on e-commerce, investment and domestic regulation.
- Survival means restoring a usable dispute system and a negotiation agenda that developing countries can still enter.

Dispute settlement and the Appellate Body

- The first reform is to fill Appellate Body vacancies and agree a time-bound, independent appeal process. Without it, the WTO is a talking shop plus a first-panel that the powerful can ignore.
- **India has an interest in a two-tier, rule-based court:** as a user of anti-dumping and as a respondent, it needs law, not only U.S. or China market size.
- Interim arrangements such as MPIA among some members are a patch. A multilateral restoration is the reform that matches India's interest in an open, not a bloc, order.
- National-security exceptions (**GATT Article XXI**) need disciplined use so that every tariff is not labelled security.

Agriculture, food security and livelihoods - India's core

- A permanent solution on public stockholding for food security, beyond the **Bali peace clause**, is essential. MSP and NFSA stocks must not be litigated as prohibited subsidies by a calorie arithmetic that ignores poor consumers.
- **Special Safeguard Mechanism** for developing countries to raise tariffs when import surges hit small farmers is a second key area.
- Domestic support rules that squeeze Indian farm support while large OECD farm payments continue through different boxes are not a neutral technicality; reform must rebalance Amber, Blue and Green Box politics.
- Fisheries-subsidy talks must protect artisanal fishers' livelihoods while cutting illegal and high-seas industrial subsidies. India's interest is livelihood exemption, not a blank cheque to distant-water fleets.

Special and differential treatment, services and new issues

- **Special and differential treatment must remain real for India:** time, policy space, and less-than-full reciprocity. Attempts to force India to graduate out of developing-country flexibilities as if it were a high-income surplus power ignore still-large poverty.
- **Services:** **Mode 4** movement of professionals, mutual recognition, and a less one-sided e-commerce deal matter more to India than a tariff-only peace between Washington and Beijing.
- **Intellectual property:** TRIPS flexibilities for public health must not be bargained away in a trade-war side deal.
- Investment facilitation and e-commerce plurilaterals should not become de facto WTO law without consensus. India has stayed cautious because digital and investment rules can lock industrial policy.
- Transparency of subsidies, including those of developed members and of China, should be reciprocal, not a one-way notification burden on developing countries.

Institutional method

- Consensus decision-making protects India against G-2 deals, but paralysis also kills the WTO. Reform can keep consensus for new obligations while allowing time-bound negotiation and a working Appellate Body by a reverse-consensus appointment rule.
- A development round that actually finishes Doha leftovers on agriculture is still in India's interest; a pure "WTO 2.0" written by the trade-war parties is not.

Flow diagram

WTO survival -> Restore Appellate Body
WTO survival -> Agriculture PSH and SSM
WTO survival -> Special and differential treatment
Agriculture PSH and SSM -> India food security livelihoods
Restore Appellate Body -> Rules not trade war
Special and differential treatment -> India food security livelihoods

Conclusion

If the WTO is to survive a trade war, it must restore a two-tier dispute system, discipline security-tariff abuse, and finish a fair agriculture and fisheries bargain. India's interest is food stockholding, SSM, livelihood-sensitive fisheries rules, **Mode 4** services, TRIPS health flexibilities, and real special and differential treatment. Survival on G-2 terms without those files would be survival of a name, not of a useful organisation for India.

Facts & figures

WTO Appellate Body crisis

The United States blocked appointments; the Body fell below a working quorum, allowing appeal into the void.

Bali peace clause (2013)

Interim protection for developing-country public stockholding; India still seeks a permanent solution.

GATT Article XXI

Security exception increasingly used to justify tariffs in the trade-war years.

Special Safeguard Mechanism

Developing-country demand to raise tariffs against import surges in agriculture; still unfinished.

Mode 4 (GATS)

Movement of natural persons; a long-standing Indian export interest in services talks.

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