Q7(b)

Trump's unilateral imposition of reciprocal tariffs on scores of countries poses impending threat to the future of the rule-based multilateral global trading system under the WTO. What options do the WTO members have to salvage the organization?

UPSC Civil Services Mains 2025 · PSIR GS 2 · 15 marks · Comparative Politics

Comparative Politics: Nature and major approaches; political economy and political sociology perspectives; limitations of the comparative method.

Core demand of the question

- **State the threat:** Trump reciprocal tariffs plus the already-broken WTO Appellate Body
- **List salvage options:** restore AB, MPIA, plurilaterals, reform, S&DT, political coalition at G20
- Include India's interests (food stocks, fisheries, digital)
- Be realistic about power

Revision summary

Trump's 2025 reciprocal tariffs, on top of a blocked Appellate Body, treat MFN as optional and threaten WTO as policeman.

- **Salvage options:** restore appeals or widen MPIA, plurilaterals, a subsidy-for-S&DT reform bargain, G20 politics, and FTA hedges.

India's stake is public stockholding, digital rules and a forum in which power is not the only law.

A variable-geometry WTO is more likely than a 1995 restoration.

Letting the organisation die would leave only tariff nationalism.

Introduction

The **WTO** was the legal roof of a rule-based trading order after 1995. **Trump's reciprocal tariffs in 2025**, layered on an **Appellate Body** that the United States had already starved, threaten that roof in the open. Members cannot pretend the organisation is fine. They can try to **salvage** it. Options exist. A full restoration of 1995 is not one of them in the near term.

Body

The threat

Unilateral 'reciprocal' tariffs treat MFN as optional. If the largest economy prices every bilateral deficit as a sin, **GATT Article I** is a sermon. The dispute system cannot discipline what it cannot hear. Other members then copy: industrial policy, export controls, green tariffs. Weaponised interdependence becomes the operating system. Developing countries lose the one forum where a small state could, in theory, win a panel.

Salvage options

First, **restore a functioning appellate tier** - either by ending the U.S. blockade or by widening the MPIA (multi-party interim appeal) so that a critical mass trades under law even if Washington stays out. Second, **plurilateral** deals among the willing (e-commerce, investment facilitation) that do not wait for consensus, with opt-ins for the South. Third, a **reform bargain**: more transparency on industrial subsidies (including China's), in exchange for real **special and differential treatment** and a peace clause that India can live with on **public stockholding**. Fourth, **G20 and UNCTAD** political steering so that trade is not only a Geneva technician's file. Fifth, **hedge** with FTAs (India-EU, RCEP-adjacent supply chains) without abandoning the WTO brand - salvage is dual-track.

Power and India

Options fail if they require the U.S. to become 1995 again. Salvage may mean a **WTO of variable geometry**: a core of members who sue and comply, a periphery of tariff nationalists. India should not be the periphery. It needs the legal roof for food security, for resisting punitive digital rules, and for suing when its goods are hit. It should not, however, treat every reform as a Northern trick. A salvage coalition with the EU, ASEAN, Brazil and African exporters is more serious than a solo veto identity.

The organisation is salvageable as a **rule-language and notification machine** even if it is weak as a policeman. Letting it die would leave only power. That is the 1930s lesson the syllabus still wants.

Flow diagram

Trump reciprocal tariffs -> WTO stress

Dead Appellate Body -> WTO stress

Salvage -> MPIA / restore Dead Appellate Body

Salvage -> Plurilaterals

Salvage -> Reform Salvage&DT stocks

Conclusion

Reciprocal tariffs plus a dead appeals bench are an existential stress test. Members can salvage WTO through MPIA, plurilaterals, a subsidy-S&DT bargain and FTA hedges. They cannot wait for Washington to repent.

Facts & figures

Appellate Body crisis

U.S. blocking of appointments emptied the WTO's second-tier court; panels can still be appealed 'into the void'.

MPIA

Multi-Party Interim Appeal Arbitration Arrangement - a volunteer appellate workaround among some members.

MFN

GATT Article I most-favoured-nation: the legal opposite of a thicket of 'reciprocal' political tariffs.