



UPSC & STATE PCS CURRENT AFFAIRS · UJIYARI.COM

EDITORIAL ANALYSIS

For WTO to Matter, It Needs to Recognise the Politics Behind Trade

 **INDIAN EXPRESS**19 May 2026 · **IR** · **ECONOMY** · **GS2** · **GS3**

CURATED & WRITTEN BY

**Bharat Choudhary**

UPSC Educator & Content Creator

 [linkedin.com/in/epicbharat](https://www.linkedin.com/in/epicbharat)**ALSO FROM THE CREATOR****BharatNotes**Free UPSC notes, MCQs, PYQ analysis. **100% Free.**bharatnotes.com →**ADVERTISE****Advertise with Ujiyari**

Reach thousands of UPSC aspirants daily.

 epicbharat@gmail.com

For WTO to Matter, It Needs to Recognise the Politics Behind Trade

 The Indian Express

19 May 2026

GS2

GS3



The Indian Express

4 tags ▼



INTERVIEW ANGLE

"Can a rules-based multilateral trade order survive great-power rivalry and the return of industrial policy — or must the WTO reform its foundational assumptions to remain relevant to the twenty-first century?"

EDITORIAL SUMMARY:

The Indian Express argues that the WTO's mounting irrelevance is a product of its insistence on treating trade as a purely technical domain while the world's most consequential trade decisions are driven by geopolitical calculation, industrial strategy, and great-power rivalry. The editorial contends that institutional reform of the WTO must abandon the fiction of political neutrality — and instead create codified space for legitimate industrial policy, strategic sector carve-outs, and transparent security exceptions — or risk becoming a forum that adjudicates yesterday's trade order while tomorrow's is built outside it.

THE WTO'S FOUNDATIONAL ASSUMPTION AND WHY IT IS FAILING

When the World Trade Organization came into existence in January 1995 — replacing the General Agreement on Tariffs and Trade (GATT) of 1947 — its design was premised on a specific political economy assumption: that trade liberalisation, if pursued through rules-based multilateral disciplines, would progressively depoliticise commerce. Comparative advantage would drive specialisation; tariff bindings and non-discrimination norms would constrain mercantilist impulse; and a Dispute Settlement Body (DSB) with appellate review would adjudicate departures from agreed rules.

This assumption was tenable in the 1990s, when the Washington Consensus was intellectually dominant, the US was the indisputable hegemon, China was a developing-country entrant into the system, and "industrial policy" was a phrase economists used mainly to describe what had failed in the 1970s. None of those conditions hold today.

The core problem is structural: the WTO's rule-book was designed for a world that no longer exists, by actors whose relative power has fundamentally shifted.

THREE FORCES THAT THE WTO CANNOT CURRENTLY ACCOMMODATE

1. Great-Power Rivalry and Strategic Decoupling

The US-China trade war that began in 2018 under Section 301 of the US Trade Act — imposing tariffs on over \$360 billion in Chinese goods — was, at its core, a geopolitical intervention dressed in trade-policy clothing. China's retaliatory tariffs were equally political. Both are, in formal WTO terms, violations of the Most-Favoured Nation (MFN) obligation under Article I of GATT. Both parties have invoked the **Article XXI national security exception** — the GATT's emergency escape valve — as justification.

The WTO Panel in the 2019 Russia-Traffic in Transit case established that Article XXI security exceptions are not entirely self-judging: panels can assess whether the invoking state was in an objective state of emergency and whether the measures bore a plausible relationship to that emergency. The US has refused to accept this standard, arguing that security determinations are inherently sovereign and non-justiciable. This impasse has produced a dead letter: the security exception now functions as an unchecked opt-out from MFN.

If the world's largest trading economies can invoke Article XXI without meaningful review, the MFN principle — the WTO's most fundamental norm — is already conditional.

2. The Industrial Policy Revival

The past five years have seen an unprecedented return of explicit industrial policy across major economies — all of it involving subsidies, preferential procurement, or domestic content requirements that are WTO-inconsistent or at best in a grey zone:

POLICY	COUNTRY	WTO STATUS
Inflation Reduction Act (IRA) — clean energy subsidies with US content requirements	United States	Contested; domestic content requirements likely inconsistent with TRIMS
EU Green Deal Industrial Plan — subsidies to European clean tech	European Union	State aid under EU law; WTO-opaque
Production-Linked Incentive (PLI) Scheme — sector-specific incentives tied to incremental production	India	Certain PLI structures may constitute prohibited export subsidies under SCM Agreement
“Made in China 2025” — state-directed support for 10 advanced manufacturing sectors	China	Subject to multiple US and EU WTO complaints
Chips Act — TSMC and Samsung subsidies for US fab construction	United States	Subsidies arguably permitted under SCM Agreement if not contingent on export performance

The common thread is that every major economy has concluded that leaving strategic industries to the market — especially semiconductors, clean energy, artificial intelligence hardware, and defence supply chains — is a national security and economic **sovereignty** risk. The WTO Subsidies and Countervailing Measures (SCM) Agreement is largely silent on how to distinguish legitimate developmental subsidy from market-distorting trade weaponisation.

3. The Dysfunctional Appellate Body

The WTO’s **Dispute Settlement Body (DSB)** was once regarded as the crown jewel of the multilateral trade system — a binding adjudicatory mechanism that no other international trade forum possessed. Since **December 2019**, when the US completed its blockage of Appellate Body appointments, the Appellate Body has been non-operational: it requires a minimum of three members to hear appeals; it currently has zero.

The **Multi-Party Interim Appeal Arbitration Arrangement (MPIA)**, launched in 2020, is the workaround — a plurilateral arrangement among willing WTO members who agree to use ad hoc arbitration panels in place of Appellate Body review. India has not joined the MPIA (as of 2026); along with the United States, India remains outside the plurilateral workaround, preferring to push for full Appellate Body restoration rather than participate in an interim mechanism. The MPIA also excludes the US and China — the two parties to most significant trade disputes — making it a partial fix at best even among its participants.

The consequence: a dispute won at the panel level can be rendered ineffective if the losing party simply appeals into the void (“appeals into the abyss” in WTO practitioner terminology), leaving the panel ruling unenforceable.

INDIA'S POSITION WITHIN THIS FRAMEWORK

India occupies a particular vantage point in the WTO's current crisis: it is simultaneously a major beneficiary of the rules-based system, a significant user of the dispute settlement mechanism, and an active proponent of industrial policy for development.

India's WTO wins:

- **European Communities — Conditions for the Granting of Tariff Preferences to Developing Countries (DS246, 2004):** India successfully challenged the EU's drug-arrangements GSP scheme that granted preferential treatment selectively; the Appellate Body ruled in India's favour, establishing that GSP schemes must be non-discriminatory among developing-country beneficiaries.
- **United States — Certain Hot-Rolled Steel Products (DS206):** India challenged US anti-dumping measures on hot-rolled steel; the panel and Appellate Body found certain US measures inconsistent with the Anti-Dumping Agreement.
- **United States — Section 232 Steel and Aluminium Tariffs (DS564, 2018):** India was one of the complainants challenging the US Section 232 steel and aluminium tariffs; the WTO panel ruled against the US in 2022, finding the measures inconsistent with GATT obligations (the US has appealed into the Appellate Body void).

India's WTO losses:

- **India — Measures Concerning Sugar and Sugarcane (2021):** WTO panel ruled India's sugar subsidies — minimum support price, production assistance, and buffer stock schemes — inconsistent with the Agreement on Agriculture. India appealed; appeal remains in the void given Appellate Body dysfunction.

India's current advocacy: India's position on WTO reform, articulated most clearly at **MC13 in Abu Dhabi (February 2024)**, emphasises:

- ❶ Restoration of a functioning two-tier dispute settlement system
- ❷ Preservation of policy space for developing-country industrialisation (the "development dimension")
- ❸ Agricultural subsidy reform that holds developed-country farm support to the same disciplines applied to developing countries
- ❹ Indefinite extension of the e-commerce moratorium on customs duties on digital transmissions — India had previously challenged this, then aligned with extension

MC13 outcome: The Abu Dhabi ministerial conference in February 2024 failed to reach agreement on the fisheries subsidies implementation timeline. The e-commerce moratorium was extended again. No progress on Appellate Body restoration.

WHAT INSTITUTIONAL REFORM MUST ACKNOWLEDGE

The editorial's central thesis is that WTO reform cannot succeed by tinkering around the edges — restoring the Appellate Body while leaving the substantive rule-book unchanged will not resolve the fundamental misalignment between the existing rule-book and contemporary trade realities.

Credible reform would require:

- 1. Codifying a legitimate industrial policy exception:** The SCM Agreement's current framework identifies three categories of subsidy — prohibited, actionable, and non-actionable. The non-actionable category (green light subsidies) was allowed to lapse in 2000. A revived, updated non-actionable category — covering green transition subsidies, health emergency industrial capacity, and digital infrastructure — would reduce the current grey zone in which every major economy operates.
- 2. A security exception transparency regime:** Rather than leaving Article XXI self-judging or making it fully justiciable — both extremes being politically unacceptable — a notification and peer review mechanism (analogous to the WTO's Trade Policy Review Mechanism) could create accountability without full adjudicatory exposure. States invoking security exceptions would be required to notify the DSB, explain the connection between the measure and the security concern, and submit to a structured peer dialogue.
- 3. Differential treatment that reflects twenty-first century development realities:** The existing Special and Differential Treatment (S&DT) framework is based on per capita income thresholds and self-designation as a developing country — a system the US has long sought to reform, targeting China specifically. A tiered S&DT framework that accounts for sector-level industrial maturity (a country may be developed in automobiles but developing in semiconductors) would be both more nuanced and more defensible.

UPSC MAINS ANALYSIS

GS Paper 2 — International Institutions and India's Foreign Policy

- **WTO structure:** Established 1995; 166 members; headquartered Geneva; General Council, Dispute Settlement Body, Trade Policy Review Body as principal subsidiary bodies.
- **Appellate Body crisis:** Dysfunctional since December 2019 due to US blockage of appointments; MPIA as plurilateral workaround launched in 2020; India has NOT joined the MPIA and continues to advocate for full Appellate Body restoration.
- **India and WTO:** Major beneficiary of dispute settlement; sugar case loss; PLI scheme's WTO consistency; India's position on e-commerce moratorium and fisheries subsidies at MC13.
- **Article XXI GATT:** National security exception; Russia-Traffic in Transit (2019) panel; US refusal to accept justiciability; implication for MFN norm.

GS Paper 3 — Trade Policy, Industrial Policy, and Economic Development

- **WTO Agreement on Subsidies and Countervailing Measures (SCM):** Three categories of subsidy; lapse of non-actionable (green light) category in 2000; implication for IRA, EU Green Deal, PLI.
- **Industrial policy revival:** IRA, EU GDIP, China 2025, India PLI — all involve WTO-grey-zone interventions; argues for codified space.
- **Trade and geopolitics:** Section 301 tariffs; MFN violation; security exception as geopolitical instrument; **decoupling** vs. de-risking.
- **MC13 Abu Dhabi (February 2024):** Fisheries subsidies failure; e-commerce moratorium extension; Appellate Body restoration stalled.

Keywords: WTO 1995, GATT, MFN Most Favoured Nation, Appellate Body, MPIA Multi-Party Interim Appeal Arbitration Arrangement, Article XXI national security exception, SCM Agreement, PLI scheme WTO, IRA Inflation Reduction Act trade, MC13 Abu Dhabi 2024, India WTO disputes, DS246 GSP case 2004, DS564 Section 232 steel aluminium, sugar case 2021, Section 301 US tariffs, industrial policy WTO, Special and Differential Treatment, fisheries subsidies, e-commerce moratorium.

The Indian Express's argument is that the WTO's legitimacy crisis is not primarily procedural — it is philosophical. An institution built on the fiction that trade can be governed independently of power will continue to lose relevance as great-power rivalry, industrial strategy, and climate transition reshape the global economy. Reform that restores only the Appellate Body without updating the substantive rule-book will produce an institution capable of adjudicating disputes no one brings to it. India, as a major trading nation with developmental aspirations and a track record of using WTO dispute settlement, has both an interest and a responsibility in designing the alternative.

Established January 1, 1995, replacing GATT (1947); headquartered Geneva; 166 members (2024); administers 60+ multilateral trade agreements; principal decision-making body is the Ministerial Conference, meeting every 2 years.

Seven-member permanent body; hears appeals from panel decisions; requires minimum 3 members for a hearing; reduced to zero members by December 2019 after US blocked appointments of new members; effectively non-functional since then.

Launched April 2020 by 25 WTO members (including EU, China, Canada, Brazil, Australia) as an ad hoc substitute for the defunct Appellate Body; India has NOT joined the MPIA (as of 2026), preferring to advocate for full Appellate Body restoration; the US and India remain the two most notable non-participants.

Allows a WTO member to take “any action which it considers necessary for the protection of its essential security interests” — the phrase “which it considers” makes it partially self-judging; the 2019 Russia-Traffic in Transit panel ruling established limited justiciability, which the US has not accepted.

WTO panel ruled India’s sugar support schemes (MSP, production and marketing development assistance, buffer stock) inconsistent with the Agreement on Agriculture’s reduction commitments; India appealed; appeal pending in the Appellate Body void; India maintains the schemes are within its Aggregate Measurement of Support (AMS) limits.

Failed to agree on fisheries subsidies implementation timeline (following the landmark 2022 Agreement on Fisheries Subsidies); e-commerce moratorium on customs duties extended; no Appellate Body reform agreed.

PRACTICE TODAY’S QUIZ



[Take the 19 May 2026 Quiz →](#)

RELATED DAILY ARTICLES

19 May **Current Affairs Today — May 19, 2026**

19 May **India-Norway Green Strategic Partnership — 12...**

19 May **India Rejects IWT Court of Arbitration "Maximum...**

19 May **3rd India-Nordic Summit in Oslo and PM Modi's Italy...**

[← NEWER EDITORIAL](#)

[OLDER EDITORIAL →](#)

**Between Coal, Chaos and Green Power —
India's Energy...**

**One-Horse Races Are No Triumph for
Democracy**



CURATED & WRITTEN BY

Bharat Choudhary

UPSC Educator & Content Creator

[linkedin.com/in/epicbharat](https://www.linkedin.com/in/epicbharat)[Read Full Article on Ujiyari →](#)<https://ujiyari.com/editorials/2026/05/ie-wto-politics-behind-trade-reform/>

ALSO FROM THE CREATOR

BharatNotes

Free UPSC study platform — subject-wise notes across all 4 GS papers, Prelims MCQs, Mains answer frameworks, PYQ analysis & progress tracking. **100% Free • No Login Required.**

[Start Preparing → bharatnotes.com](http://bharatnotes.com)

📌 OPPORTUNITY

Advertise with Ujiyari

Reach **thousands of serious UPSC & State PCS aspirants** daily through our PDFs, website, and social channels.

Ideal for: Coaching institutes • EdTech platforms • Book publishers • Exam prep apps

[✉ epicbharat@gmail.com](mailto:epicbharat@gmail.com)

Write to us for rates & media kit

Free UPSC & State PCS Current Affairs · ujiyari.com · bharatnotes.com