



Towards Fairer & Inclusive Global Trade System

This editorial is based on “[Revenge of the rich: Time to rethink and rewrite the global trade script](#)” which was published in Business Standard on 11/05/2025. The article highlights that the global trade system, established by the WTO, has created imbalances, benefiting industrialized nations while challenging developing countries like India, highlighting the need for reforms to ensure equity and sustainability in global trade.

For Prelims: [World Trade Organization \(WTO\)](#), [WTO's Global Trade Outlook and Statistics 2025](#), [US-China tariff tensions](#), [WTO's Appellate Body](#), [WTO's Agreement on Agriculture \(AoA\)](#), [United States Trade Representative's \(USTR's\) 'Priority Watch List'](#), [Free Trade Agreements \(FTAs\)](#), [WTO's Most-Favoured-Nation \(MFN\)](#), [WTO's Special and Differential Treatment \(SDT\)](#), [Exclusive Economic Zones \(EEZs\)](#), [G20](#).

For Mains: Significance of Reforms in the Global Trade System to Ensure Equity and Sustainability in Global Trade.

The global trade order has evolved since the 1990s, with the [World Trade Organization \(WTO\)](#) taking center stage in shaping economic relations. However, the **system's shift** has not been without consequences, especially for developing nations, which has faced both **opportunities and challenges**. India, a **vocal advocate** for reform, has consistently pushed for fairer trade rules, to ensure that the interests of the [Global South](#) are represented. As the global trade system faces new challenges, including rising [protectionism](#) and [climate change](#), India's role in advocating for a more **inclusive, equitable, and sustainable** trading environment is crucial.

What is the Current Global Trade Scenario and India's Position?

- **Global Trade Outlook for 2025:** Global merchandise trade is projected to decline by **0.2%** in 2025, according to the [WTO's Global Trade Outlook and Statistics 2025](#).
 - This decline is driven by [US-China tariff tensions](#), with a potential of **1.5%** drop if tensions worsen.
 - This contrasts with **2.9%** growth in 2024, reflecting the **volatility and unpredictability** of the current global trade environment.
- **Services Trade Shows Modest Growth:** While **merchandise trade** faces challenges, **global services trade** is expected to grow by 4.0% in 2025.
 - However, this growth is slower than anticipated due to disruptions caused by [tariff-related trade barriers](#).
 - The global services sector has been impacted by delays in **transport and travel services**, and broader uncertainty is curbing investment-related services.
 - Nonetheless, services trade remains a critical driver of **global economic growth**.
- **Regional Trade Performance:** Regional trade performance varies, with North

America's **12.6%** export drop significantly impacting global trade flows.

- In contrast, Asia's exports are projected to grow by **1.6%**, and Europe's by **1.0%**.
- These regional trends highlight the **disparity in trade growth** across the world.
- While some regions are in decline, others, especially in Asia and Europe, continue to show growth despite global challenges.

▪ **India's Position in Global Trade:** India ranks **14th** among **global merchandise exporters**, maintaining a steady share of **2.2% of global trade**.

- In merchandise imports, **India** holds the **7th position** with a 3.4% share.
- In commercial services, **India ranks 6th**, though its export share declined slightly from 5.4% to 5.3%.
- Despite these shifts, India remains a key player in both **goods and services** trade globally.

▪ **India's Role in Global South Trade:** India's trade performance within the **Global South** remains strong, contributing significantly to the **region's agricultural and service exports**.

- As a leader in the Global South, India continues to advocate for reforms that ensure equitable benefits from global trade.
- India's position within the Global South allows it to play a **pivotal role** in shaping the future of multilateral trade and global economic governance.



Why is There a Growing Demand to Reform Global Trade Architecture?

- **Dispute Settlement System Paralysis:** The [WTO's Appellate Body](#), which serves as the final court for trade disputes, has been **non-functional** since December 2019.
 - This dysfunctionality, caused by the **US blocking** the appointment of new members, has undermined the WTO's credibility.
 - **India** has called for the **restoration of the Appellate Body** as the highest priority for WTO reforms.
 - The lack of a functioning dispute settlement system has **diminished the WTO's ability** to enforce global trade rules, weakening the rule-based order.
- **Ongoing Trade Wars and Protectionism:** The US-China trade war has been a major source of disruption in global trade.
 - Tariffs imposed by the **US on Chinese goods** have triggered a series of **retaliatory measures**, escalating global tensions.
 - [Protectionist measures](#), including national security tariffs, have undermined WTO

principles.

- This rise in protectionism poses a significant threat to **global economic stability**.
- **India's Opposition to AoA Subsidy Rules:** India's resistance to the [WTO's Agreement on Agriculture \(AoA\)](#) stems from restrictions on **public stockholding** for food security.
 - Developed countries, such as the US and EU, provide large subsidies, creating an uneven playing field.
 - These subsidies and tariffs distort **agricultural markets, hindering market access** and creating trade imbalances, especially for agricultural exports.
- **Fisheries Subsidy Rules as a Barrier:** The [WTO's fisheries subsidy](#) rules impose restrictions that could harm **India's small-scale fishing industry**, limiting its ability to support local livelihoods.
 - These rules create a barrier for developing countries like India, preventing them from addressing their unique challenges in the fishing sector.
- **Intellectual Property Rights (IPR) as a Trade Barrier:** Developed countries use strict **IPR regulations** as a **trade barrier**, limiting access to **affordable medicines and technologies** for developing nations like India.
 - By enforcing high patent standards, these countries prevent developing countries from **accessing critical innovations**, making it harder to develop their own industries and meet public health needs.
 - For instance, India remains on the [United States Trade Representative's \(USTR's\) 'Priority Watch List'](#) due to alleged violations of IPR.
- **Digital Trade Barriers:** There are no comprehensive global rules on digital trade, making cross-border data flows increasingly complicated.
 - With the rapid growth of [e-commerce](#) and **digital services**, countries are introducing **digital trade barriers**, including [data localization](#) and **cybersecurity regulations**.
 - The WTO's **inability to regulate digital trade** hampers the growth of global services trade.
 - This creates uncertainty for businesses involved in **cross-border data flows** and **digital commerce**, limiting the growth potential of the **global digital economy**.
- **Increased Inequities for Developing Nations:** Developing countries, particularly from the Global South, face significant barriers in accessing global markets.
 - **Developed countries** often impose **high tariffs and subsidies** that **distort [global agricultural markets](#)**.
 - **India**, as a major agricultural exporter, continues to face these challenges, particularly in sectors like **rice**, where subsidies in the US and EU create significant market entry barriers.
 - The inequities in the global trading system hinder the **ability of developing countries** to compete fairly on the global stage.
- **Fragmentation of Trade Rules Due to FTAs:** The proliferation of [Free Trade Agreements \(FTAs\)](#) has led to fragmentation in global trade rules.
 - While FTAs offer market access to participating countries, they bypass the [WTO's Most-Favoured-Nation \(MFN\)](#) principle, undermining multilateral trade efforts.
 - The rise of regional and bilateral agreements has created **divergent trade rules**, further complicating global trade governance.
 - This fragmentation threatens the WTO's ability to unify global trade rules and risks leaving countries outside these agreements at a disadvantage.
- **Sustainability and Modernization of Trade Frameworks:** The WTO's **outdated rules** fail to incorporate key emerging sectors like digital trade, green technologies, and environmental sustainability.
 - India calls for the integration of **green trade rules** and a **comprehensive framework** to regulate **digital trade and climate-related barriers**, ensuring that the global trade system evolves in line with **modern challenges**.

How Can India Contribute to Shaping a Fair and Future-Ready Trade Order?

- **India's Leadership in WTO Reforms:** India has led calls for **WTO reforms**, especially restoring

the **Appellate Body** to ensure an equitable dispute settlement process.

- **India's role** is vital in ensuring the WTO remains **credible and fair** for global trade governance.
- **Pushing for Fairer Trade Rules for Developing Countries:** India advocates for reforms in the **WTO's Special and Differential Treatment (SDT)** provisions, ensuring greater flexibility for developing countries.
 - This will ensure that the **Global South** is adequately represented and benefits from **global trade negotiations**.
- **Fisheries Subsidies:** India, as a low subsidizer of the fisheries sector, advocated for the allowance of subsidies for poor fishermen in developing countries to operate within their **Exclusive Economic Zones (EEZs)**.
 - India also proposed that developed nations stop subsidizing industrialized fishing fleets operating beyond EEZs, particularly in the high seas.
- **Advocating for Digital Trade and Green Trade Rules:** As global trade shifts digital, India pushes for cross-border data flow, e-commerce, and cybersecurity rules in future agreements.
 - Additionally, India advocates for integrating green trade rules to ensure sustainability in global trade frameworks.

MAJOR TRADE AGREEMENTS OF INDIA

Free Trade Agreement (FTA) With Neighbouring Countries

- ➞ India-Sri Lanka FTA
- ➞ India-Nepal Treaty of Trade
- ➞ India-Bhutan Agreement on Trade, Commerce, and Transit

A free trade agreement is a comprehensive deal between countries, offering preferential trade terms and tariff concessions, with a negative list excluding specific products and services.

Regional FTA's of India

- ➞ **India ASEAN Trade in Goods Agreement (11):** 10 ASEAN countries + India
- ➞ **South Asia Free Trade Agreement (7):** India, Pakistan, Nepal, Sri Lanka, Bangladesh, Bhutan, and the Maldives
- ➞ **Global System of Trade Preferences** (41 countries + India)

India's CECAs and CEPAs

CECA/CEPA is broader than FTAs, addressing regulatory, trade, and economic aspects comprehensively, with CEPA having the widest scope including services, investment, etc while CECA mainly focuses on tariff and TQR rates negotiation.

- ➞ CEPA with **UAE, South Korea, Japan**
- ➞ CECA with **Singapore, Malaysia**

Others:

- India-Australia Economic Cooperation and Trade Agreement (ECTA)
- India-Thailand Early Harvest Scheme (EHS)
- India-Mauritius Comprehensive Economic Cooperation and Partnership Agreement (CECPA)

An EHS precedes an FTA/CECA/CEPA, where negotiating countries select products for tariff liberalisation, paving way for broader trade agreements and fostering confidence.

Preferential Trade Agreements (PTAs)

Partners in a PTA grant preferential access to specific products by lowering duties on agreed tariff lines, maintaining a positive list of products eligible for reduced or zero tariffs.

- ➞ **Asia Pacific Trade Agreement (APTA):** Bangladesh, China, India, S. Korea, Lao PDR, Sri Lanka, and Mongolia
- ➞ **SAARC Preferential Trading Agreement (SAPTA):** Same as SAFTA
- ➞ **India-MERCOSUR PTA:** Brazil, Argentina, Uruguay, Paraguay and India
- ➞ India's PTA with **Chile, Afghanistan**

What is the Way Forward for Building a Resilient and Equitable

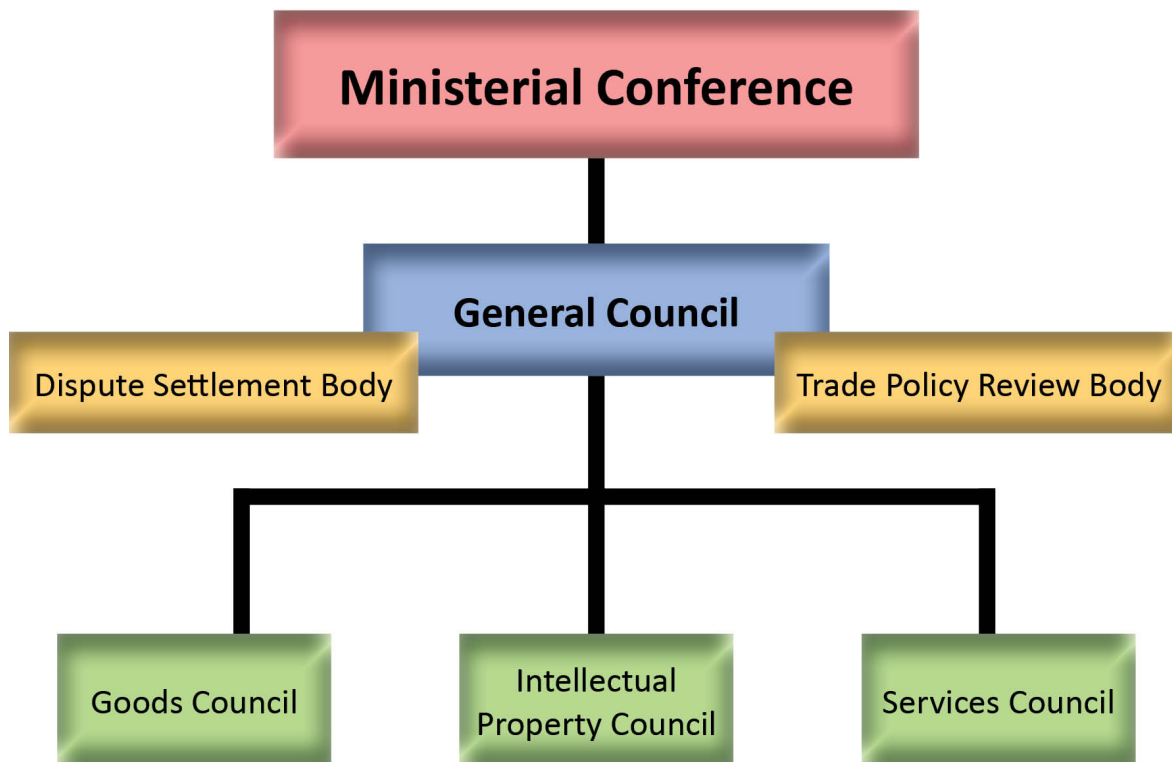
Global Trade System?

- **Reforming Dispute Settlement:** Restoring the **WTO's Appellate Body** is crucial for effective dispute resolution and upholding the rule-based trading system.
- **Addressing Trade Barriers:** To address these trade barriers, there is a need for a more equitable global trade system that considers the unique challenges faced by countries.
 - This includes reforming WTO rules on **agricultural subsidies** for fair competition, **easing fisheries subsidy** regulations to support local industry, and **revising IPR frameworks** to improve access to affordable medicines and technologies.
 - The WTO should broaden its focus beyond economic and trade interests, incorporating **social welfare** and **addressing inequality** among nations.
- **Promoting Inclusive and Equitable Trade Rules:** Global trade reforms must prioritize adapting the WTO to meet the needs of developing countries.
 - India's advocacy for fairer trade rules, especially through **Special and Differential Treatment** reforms, aims to level the playing field for all WTO members.
- **Fostering Sustainable and Green Trade Practices:** Integrating sustainability into global trade rules is essential for addressing climate change.
 - Incorporating sustainable practices in WTO frameworks could limit oppressive green measures like the **Carbon Border Adjustment Mechanism**, reducing the burden on developing nations.
- **Strengthening Multilateral Cooperation:** Building a resilient global trade system requires robust multilateral cooperation to address **trade imbalances**, ensure fair growth, and promote inclusive policies that benefit all nations, particularly developing economies.
 - India's leadership in the **G20 and WTO** will help align global trade practices with development goals, ensuring that trade remains fair, transparent, and inclusive.

World Trade Organization (WTO)

- **About:** The WTO is an international organization that governs trade rules between nations.
 - The WTO is the **successor to the General Agreement on Tariffs and Trade (GATT)**, established in 1947.
 - The **Uruguay Round (1986-94) of GATT** led to the **creation of the WTO**, which started operations on 1st January 1995.
 - The Agreement Establishing the WTO, also known as **the "Marrakesh Agreement,"** was signed in Marrakesh, Morocco, in 1994.
 - The headquarters of the WTO is in Geneva, Switzerland.
- **Members:** The WTO has 164 members (including the European Union) and 23 observer governments.
 - **India is a founder member of GATT (1947) and its successor, the WTO.**
- **Governing Structure:**

Structures of WTO



Conclusion

Global trade presents challenges with declines in merchandise trade and ongoing tariff tensions. **India's proactive role** in advocating for equitable global trade reforms positions it as a key player in shaping a fair and sustainable future. By championing **inclusivity, sustainability, and balanced trade rules**, India can lead the way in creating a more resilient and prosperous global trade system for all.

Drishti Mains Question:

What are the fundamental challenges to global trade today, and how can India's approach to multilateral and regional trade agreements influence reforms for more equitable and balanced trade governance?

UPSC Civil Services Examination Previous Year Question (PYQ)

Prelims:

Q. With reference to Trade-Related Investment Measures (TRIMS), which of the following statements is/are correct? (2020)

1. Quantitative restrictions on imports by foreign investors are prohibited.
2. They apply to investment measures related to trade in both goods and services.
3. They are not concerned with the regulation of foreign investment.

Select the correct answer using the code given below:

- (a) 1 and 2 only
- (b) 2 only
- (c) 1 and 3 only
- (d) 1, 2 and 3 only

Ans: (c)

Mains:

Q. 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? **(2018)**

PDF Reference URL: <https://www.drishtiias.com/printpdf/towards-fairer-inclusive-global-trade-system>

