International Relations · GS - II

Analyse how unilateral trade measures, such as additional tariffs imposed under domestic trade laws, challenge the principles of the multilateral trading system.

EXAM YEAR	PAPER	SUBJECT
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MARKS	WORD LIMIT
15	~250 words

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Answer Hint

Multilateralism, WTO principles, unilateralism, trade protectionism, developing economies, dispute settlement, trade negotiations

Model Answer

Introduction

The multilateral trading system, institutionalised through the World Trade Organization (WTO), seeks to promote predictable, rules-based and non-discriminatory international trade. However, unilateral tariff measures increasingly challenge this framework.

Challenges to the Multilateral Trading System

1. **Erosion of non-discrimination:** Unilateral tariffs can undermine the Most-Favoured-Nation principle, which requires equal trade treatment among WTO members, subject to recognised exceptions.

2. **Weakening of WTO authority:** Countries acting through domestic trade laws may bypass multilateral consultation and dispute settlement procedures.

3. **Trade uncertainty:** Frequent tariff changes disrupt global supply chains, investment decisions and long-term business planning.

4. **Retaliatory protectionism:** Targeted countries may impose counter-tariffs, escalating disputes and increasing the risk of trade wars.

5. **Disproportionate impact:** Developing economies, particularly export-dependent countries, may face higher market-access barriers and reduced competitiveness.

Implications for India

1. **Export vulnerability:** Higher tariffs can affect Indian industries such as textiles, pharmaceuticals, engineering goods and information technology-related services.

2. **Negotiating pressure:** Such measures may compel India to negotiate trade concessions under unfavourable circumstances.

3. **Supply-chain concerns:** Uncertainty in global trade can affect India's manufacturing ambitions and integration into international value chains.

Way Forward

1. Strengthen WTO dispute settlement and improve compliance with multilateral trade rules.
2. Pursue diversified export markets and strengthen domestic manufacturing competitiveness.
3. Use bilateral negotiations while safeguarding legitimate national economic interests.
4. Promote transparent trade investigations and proportional, rules-based responses.

Conclusion

A stable global trading order requires balancing legitimate domestic economic concerns with multilateral obligations. Strengthening WTO institutions and resolving disputes through dialogue remain essential to preventing fragmentation of international trade.

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