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GS Paper III: Economics

1. India and Plurilateral Agreements at WTO

a. Introduction

During India's WTO Trade Policy Review, several developed and developing members questioned India's opposition to incorporating plurilateral agreements on investment facilitation and e-commerce into the WTO framework. India argues that such arrangements could weaken the WTO's consensus-based multilateral character.

WTO: MULTILATERALISM VS PLURILATERALISM

MULTILATERAL AGREEMENTS	PLURILATERAL AGREEMENTS
 Entire WTO membership	 Group of willing members
 Universal participation	 Selective participation
 Consensus-based	 Flexible participation
 Broad rights & obligations	 Obligations largely among participants
 Inclusive rule-making	 Faster rule-making
 Protects bargaining space of smaller economies	 Risk of fragmented rule-making



Annex 4 → Plurilateral agreements can enter WTO framework only with **consensus**

b. Key Issue / Provisions:

- **Multilateral agreements** bind the entire WTO membership and are generally adopted through consensus.
- **Plurilateral agreements** involve only a group of willing WTO members, with rights and obligations largely confined to participating countries.
- Under **Annex 4 of the Marrakesh Agreement**, plurilateral agreements can become part of the WTO framework, but their addition requires consensus.
- **Investment Facilitation for Development (IFD)**: Supported by a large majority of WTO members, but India opposed its incorporation as an Annex 4 agreement at MC14.
- **E-commerce Agreement**: A group of members seeks rules governing digital trade, including prohibition of customs duties on electronic transmissions. India has questioned the legal basis of interim arrangements being used to operationalise such agreements outside normal WTO consensus procedures.

c. Why India opposes the plurilateral route

- **Preserving multilateralism**: India fears that widespread plurilateralism could transform the WTO from a universal rule-making institution into a collection of exclusive negotiating clubs.

- **Consensus as protection for developing countries:** Consensus provides smaller and developing economies bargaining power against economically dominant states. Bypassing it could dilute the principle of sovereign equality among WTO members.
- **Institutional mandate:** India has questioned whether issues such as investment facilitation fall within the WTO's core trade mandate. Expanding WTO jurisdiction without universal agreement could produce institutional overreach.
- **Precedent-setting risk:** If agreements negotiated among subsets of countries can subsequently acquire WTO institutional legitimacy without consensus, similar pathways could emerge in areas such as digital trade, environment and industrial subsidies.
- **Development asymmetries:** Uniform rules on emerging areas may disproportionately constrain developing countries that require greater policy space for industrialisation and digital development.

d. Why other WTO members favour plurilateralism

- WTO's 164-member consensus system has increasingly produced negotiating paralysis.
- Plurilateral agreements allow willing members to develop rules in rapidly changing areas such as digital commerce, investment and environmental trade.
- Proponents argue that flexible negotiations can modernise the WTO without forcing non-participating countries to undertake new obligations.
- They also contend that India, as a major beneficiary of global trade integration, should participate in shaping new rules rather than blocking their development.

e. The larger institutional dilemma

The dispute reflects a fundamental tension in WTO reform:

Inclusiveness & Consensus ↔ Speed & Flexibility

An excessively rigid consensus system can make the WTO ineffective, but unchecked plurilateralism can create a fragmented, two-tier trading system where powerful coalitions increasingly determine global trade rules.

f. Way Forward

- Develop transparent criteria for plurilateral negotiations within the WTO rather than permitting ad hoc arrangements.
- Preserve consensus for incorporating new agreements into the WTO legal architecture while allowing voluntary negotiations among interested members.
- Ensure special and differential treatment, capacity-building and adequate policy space for developing countries.
- India should engage actively in negotiations to shape emerging global rules, while resisting mechanisms that bypass established WTO procedures.
- WTO reform should balance institutional effectiveness with inclusive multilateralism, ensuring that flexibility does not become a route for circumventing developing-country interests.

Conclusion

India's opposition is not merely about individual agreements such as IFD or e-commerce; it reflects a larger contest over the future architecture of the WTO—whether global trade rules should remain consensus-driven and universal or increasingly be shaped through flexible coalitions of willing members.

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