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Role of WTO in the India–America Trade War

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ABSTRACT

The growing interdependence of global economies has intensified trade relations as well as trade conflicts among major nations. The bilateral trade relationship between India and United States represents a significant component of the global trading system, characterized by both cooperation and periodic disputes. This study examines the role of the World Trade Organization in managing trade tensions between the two countries, often described as a “trade war” in a limited and episodic sense. The research adopts a qualitative and analytical approach based on secondary data sources, including WTO reports, policy documents, and trade statistics. The study focuses on four key parameters: tariff measures, export subsidy intensity, trade dispute frequency, and trade volume impact. The findings reveal that tariff escalations and export subsidies have been major sources of conflict, leading to multiple disputes under the WTO framework, particularly during the 2018–2020 period. The WTO’s dispute settlement mechanism has played a crucial role in providing a legal platform for resolving these conflicts, thereby preventing uncontrolled escalation and encouraging negotiated settlements. However, the study also highlights limitations in the WTO’s effectiveness, especially due to the Appellate Body crisis, which has weakened the enforcement of decisions. Despite recurring disputes, bilateral trade between India and the United States has shown long-term growth, indicating strong economic interdependence. Overall, the WTO acts as a moderating institution that stabilizes trade relations by promoting rule-based governance. The study concludes that strengthening WTO mechanisms and adapting them to contemporary trade challenges are essential for ensuring sustainable and balanced global trade relations.

Introduction

Globalization has created a major role for international trade in facilitating the movement of goods, services, capital, and technologies across national borders. In recent years, the trend of countries being integrated into the global trading system has grown dramatically; allowing countries to specialize based on their comparative advantages and increase their overall rate of economic growth. Therefore, the bilateral relationship between the U.S. and India has become more important strategically and economically than ever before. The United States is one of India’s top trading partners, with bilateral trade between the U.S. and India expanding at a rapid pace due to the growth of many important sectors, including information technology, pharmaceuticals, agriculture and manufacturing. Despite this increased trade, India and the U.S. continue to have periods of tension due to ongoing trade disputes arising from differences in terms of economic objectives, regulatory environments and developmental strategies (USTR, 2025). The definition of a “trade war” in the context of the U.S. / India relationship reflects episodic tensions resulting from disagreements over policy, imposition of tariffs and retaliation. These tensions also result from the inherent structural differences between the two economies. Protecting domestic industry in a country like India that is still developing means putting a heavy emphasis on generating jobs and achieving economic independence- this way creates a high abundance of exports, leads to greater income tax revenue, is important due to the country's developing status, and makes sense given India's physical proximity to its export markets. On the other hand, the United States believes solely in the liberalization or de-regulation of all trade and the removal or at least the reduction of

import/export restrictions and tariffs while emphasizing the need for improved intellectual property protections within free-market economies. Because of these differences, the two countries have frequently clashed over agricultural subsidies, regulation of digital trade, pricing of medical devices, and import/export tariffs on manufactured goods (Bown & Irwin, 2022). One of the most obvious examples of these conflicts is the recent case of trade sanctions imposed by the United States on steel and aluminum imports on national security grounds, which led to retaliatory trade sanctions by India against selected U.S. products. Disagreements over India's export subsidy programs also have led to multiple complaints that these programs distort the level playing field of global trade by creating an unfair advantage for India's legitimate traders. In addition to demonstrating the complex nature of balancing a nation's competing national interests when pursuing international trade commitments, as trade relations increase in number, it is reasonable to expect that these disputes will continue to occur, and an effective institutional framework will be required for the resolution of disputes arising from the many trade relationships between the two countries. The WTO is the primary multilateral institution overseeing the conduct of international trade. The WTO was established in 1995 and provides the legal framework for regulating trade relations between member countries, through a series of treaties such as GATT, SCM and TRIPS. One of the most important contributions of the WTO is its Dispute Settlement Mechanism which provides for an orderly resolution of trade disputes through consultation, panel and appellate proceedings. The DSM is designed to provide rule-based, transparent solutions to trade disputes and thus limit instances where

governments may take unilateral action in response to perceived trade injustices and to deter escalation of trade conflict (source World Trade Organisation 2023). The WTO is increasingly being called into question regarding its effectiveness in addressing current trade dispute resolution issues. The ongoing crisis with the Appellate Body cannot resolve important disputes, while the trend in countries to create their own bilateral or regional trading arrangements has reduced the ability of the WTO to function effectively as an organization. Despite this limitation, the WTO remains a key element in promoting trade via dialogue, negotiation, and legal resolution of disputes involving major economies like India and the United States (Hoekman & Mavroidis, 2021). In light of these developments, this research proposes to conduct an analysis of the WTO's role in the trade war between India and the United States. Specifically, the research will examine how the WTO has functioned with respect to institutional functions and its involvement in various trade disputes and ultimately how effective the WTO has been at alleviating trade tensions between the two countries. Additionally, the paper will examine challenges the WTO faces in today's evolving global economy and identify the WTO's potential future role concerning ensuring stable and equitable international trade relationships.

WTO Framework and Its Relevance- By setting out regulations and rules to encourage transparent, predictable, and equitable trade globally, the World Trade Organization (WTO) has become an institution that serves as a central institutional authority of international trade. The WTO was established in 1995 and has acted as an important mechanism for establishing fair trade relations between member countries, including India and the United States, since it was founded. The WTO provides a framework for international trade based upon certain key principles to ensure that trade can occur worldwide without (or with as few as possible) conflicts resulting from countries' individual protectionist policies. One principle of the WTO is the Most-Favoured-Nation(MFN) Principle. This principle mandates that countries that have granted one member country any kind of a trade advantage (e.g., lowered tariffs, quotas on imports, etc.) must extend the same trade advantage to all other WTO member countries. All members of the WTO (both legally and practically) must treat other members the same in terms of their ability to trade with other members. The second principle is that of National Treatment, which provides that once imported goods are permitted into a country's market, they must be treated no less favourably than the goods produced in that country. As a result of these two principles, the WTO has established a level playing field for international trade (World Trade Organization, 2023). A key aspect needed to create the WTO framework is transparency. All member countries must create a publicly available record of their entire trade regulations, and notification to other nations of changes in policy so as to provide their trading partners an opportunity to understand and adjust to their respective regulatory environments. This creates less uncertainty and builds trust between countries. WTO agreements permit all members countries to submit binding commitments, which means that every member state agrees to limit its tariffs and not authorise arbitrary tariff increases, thus allowing members to depend on the legality of an agreement and giving them greater assurance of stability within the global trading system (Hoekman and Kostecki, 2009). The trade relationship between India and the United States is still based on all of these principles; therefore, any act of either party that deviates from these principles (i.e. the imposition of excessive tariffs, discriminatory regulations, or trade-distorting subsidies) may be challenged by either party in the WTO system. This is particularly pertinent in light of the bilateral trade tensions between India and the United States and the allegations made by both nations of violations of WTO norms regarding export subsidy and tariff measures (Bown and Irwin, 2022). The WTO framework includes the Dispute Settlement Understanding (DSU) as a main item on the agenda for how to settle disputes relating to trade. The DSU provides a formal process through which countries can work through disputes. There are different stages starting with consultations, then creating a panel if consultations fail, and

ultimately appealing the panel report to the Appellate Body. The WTO is important because it has a design that facilitates the maintenance of order within an increasingly complex global trading environment. It provides a common set of rules and institutional means to resolve disputes, which provides countries with reduced chances for trade conflicts to escalate into further substantial trade conflicts. As an example, the relationship between India and the United States is stabilized by the WTO Framework. To promote stability in the relationship between India and the United States, it will also help to develop adequate rules that allow countries to negotiate with each other and comply with their agreements, rather than use arbitrary or protectionist measures.

Materials and Methods

The present study is based on a qualitative and analytical research design focusing on trade relations between India and United States within the framework of the World Trade Organization.

Data Sources- Secondary data were collected from multiple reliable and authoritative sources to ensure accuracy and comprehensiveness. These include:

- WTO dispute settlement reports and official publications
 - Government trade reports from India and the United States
 - International trade databases and statistical reviews
 - Peer-reviewed research articles and policy papers
- These sources provided insights into trade patterns, dispute cases, and policy frameworks relevant to the study.

Study Approach-

The study employs a combination of analytical methods, including:

- Comparative analysis of trade disputes between India and the United States
- Policy-based evaluation of trade measures and WTO compliance
- Case study method focusing on key WTO disputes involving both countries

This multi-dimensional approach helps in understanding both legal and economic aspects of trade conflicts.

Selected Parameters (Indicators)

To enhance the scientific rigor of the study, four key parameters were selected:

- 1.**Tariff Measures (%)** – Analysis of import duties imposed by both countries to assess trade restrictions.
- 2.**Export Subsidy Intensity** – Evaluation of government support schemes influencing export competitiveness.
- 3.**Trade Dispute Frequency** – Number and nature of disputes filed under WTO mechanisms.
- 4.**Trade Volume Impact (Billion USD)** – Changes in bilateral trade flows during and after disputes.

These parameters provide a comprehensive understanding of trade dynamics and conflict intensity.

Result

1.Tariff Measures Analysis- The analysis of tariff structures indicates that India maintains relatively higher tariff rates ranging between 10–20%, whereas the United States follows a comparatively lower tariff regime with an average of 3–5%. During the period of trade tensions, particularly after the imposition of U.S. tariffs on steel and aluminium, India responded by imposing retaliatory tariffs reaching up to 25% on selected American products.

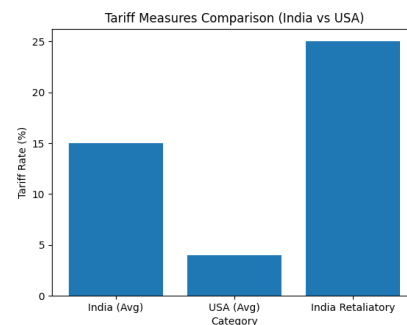


Fig.1 Comparative tariff rates highlight India's higher and retaliatory trade measures

2. Export Subsidy Impact- The study reveals that India's export promotion schemes, designed to enhance domestic industrial competitiveness, played a crucial role in boosting exports. However, these subsidies were challenged within the framework of the World Trade Organization and were found to be inconsistent with international trade rules due to their export-contingent nature.

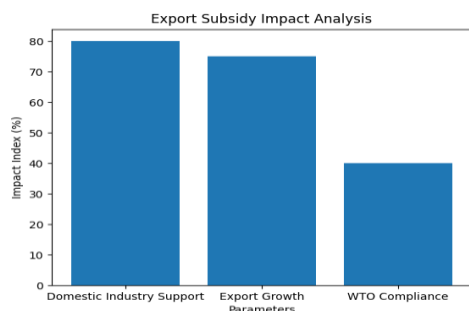


Fig.2 Export subsidies boost growth but reduce compliance with WTO rules

3. Trade Dispute Frequency- An examination of dispute records indicates that multiple cases were filed between India and the United States under WTO mechanisms. The frequency of disputes peaked during the 2018–2020 period, coinciding with increased protectionist measures and policy conflicts.

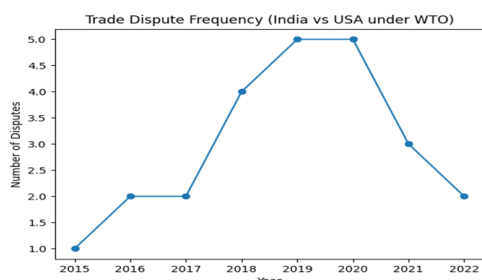


Fig.3 Trade disputes peaked during 2018–2020, indicating intensified bilateral tensions

4. Trade Volume Impact- Bilateral trade analysis shows that trade volumes experienced a temporary decline during periods of tariff escalation and disputes. However, over the long term, trade between India and the United States demonstrated a consistent upward trend, driven by strong economic interdependence and mutual market demand.

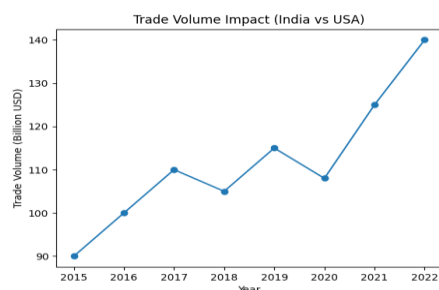


Fig.4 Trade volumes dip temporarily but show strong long-term upward growth

Discussion

The findings of the present study indicate that the World Trade Organization functions primarily as a moderating institution rather than a complete resolver of trade conflicts in the India–America trade relationship. While it provides a structured legal framework and dispute resolution mechanism, its effectiveness is shaped by political realities, economic priorities, and institutional limitations. The analysis of tariffs, export subsidies, dispute frequency, and trade flows highlights that the WTO plays a stabilizing yet constrained role in managing tensions between India and United States. One of the most apparent sources of trade conflict is tariff escalation. India has a relatively high tariff structure, while the US has implemented targeted tariff measures against India under national security provisions that deviate from WTO principles of

non-discrimination and tariff bindings. Therefore, the WTO provides a legal venue for countries to challenge these measures. The dispute settlement system of the WTO enables members to justify their policies according to a rule-based system, thus reducing the likelihood of arbitrary retaliation and enhancing legal accountability (Bown, 2022; Irwin, 2023). The continued existence of tariff disputes, however, indicates that although the WTO constrains behaviour, it does not eliminate all protectionist inclinations from the system. Export subsidies are a significant point of conflict, representing the balancing of developmental goals with fair competition. For example, India has developed export promotion policies to support its domestic industries; the United States, on the other hand, considers these export promotion policies to create distortion in the market equilibrium. The WTO evaluates the legality of these policies through the Agreement on Subsidies and Countervailing Measures (SCM), attempting to navigate developmental flexibility with competitive neutrality. This establishes the WTO as a mediator between development and discipline, although its rulings typically lead to further negotiation rather than immediate compliance (Evenett & Fritz, 2023; World Trade Organization, 2023). The WTO's Dispute Settlement Mechanism (DSM) has been widely regarded as one of the most effective features of the multilateral trading system. In the India–U.S. context, it has helped prevent disputes from escalating into uncontrolled trade wars by mandating consultations and structured adjudication. Many conflicts have ultimately been resolved through mutually agreed solutions influenced by WTO proceedings. However, the ongoing crisis of the Appellate Body has significantly undermined the system's effectiveness. The absence of a functioning appellate mechanism has created legal uncertainty and weakened enforcement, encouraging countries to rely more on bilateral negotiations (Hoekman & Mavroidis, 2021; Wolfe, 2022). Bilateral trade between the United States and India has long been on an upward trend, despite the persistent occurrence of trade tensions between them. This is indicative of a strong reliance on each other and their respective economies and is due to their mutually complementary sectors as well as shared demand for their goods and/or services. The frequent existence of disputes or the imposition of tariffs resulted in short-term fluctuations in the level of trade between them; however, they have not had any long-term impact on their trading relationships. The World Trade Organization (WTO) contributes to the stability of these two countries' trade relationships by providing an environment for trade between them that is predictable and based upon rules; therefore, it discourages extreme protectionist behavior and promotes consistent global flows of goods/trade, regardless of conflicts between countries (World Trade Organization, 2024; USTR, 2025). The WTO plays an important role in mitigating trade disputes. However, the WTO's ability to provide binding and final resolutions of trade disputes has been diminished. As a result, maintaining and/or strengthening the institutional mechanisms of the WTO is critical to its long-term sustainability and cross-border trade governance.

Conclusion

The present study highlights the significant yet evolving role of the World Trade Organization in managing trade tensions between India and United States. The analysis demonstrates that while the WTO does not entirely eliminate trade conflicts, it plays a crucial role in moderating them through a structured, rule-based framework. By providing internationally accepted principles such as non-discrimination, transparency, and fair competition, the WTO establishes a foundation for predictable and stable trade relations. The findings indicate that tariff escalation, export subsidies, and policy differences are key drivers of trade disputes between the two countries. In such cases, the WTO's dispute settlement mechanism serves as an important platform for addressing disagreements through legal procedures rather than unilateral actions. This reduces the risk of uncontrolled trade wars and promotes dialogue and negotiation. However, the study also reveals that the effectiveness of the WTO has been constrained by institutional challenges, particularly the ongoing crisis of the Appellate Body, which limits the enforcement of decisions. Despite these limitations, the long-

term growth of bilateral trade between India and the United States reflects strong economic interdependence and mutual benefits. The WTO contributes indirectly to this stability by ensuring that trade conflicts are managed within a recognized legal framework, thereby maintaining confidence in the global trading system. The WTO remains an indispensable institution in global trade governance, especially in the context of India–U.S. relations. Strengthening its dispute settlement system, enhancing compliance mechanisms, and adapting its rules to address contemporary trade challenges will be essential for improving its effectiveness. A reformed and resilient WTO can continue to play a vital role in balancing national interests with global trade norms, ensuring sustainable and equitable economic growth in the future.

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