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WTO: Struggling to stay relevant

Parthapratim Pal, Business Line

July 22, 2019: The World Trade Organization (WTO) is facing an unprecedented existential crisis. The challenges to WTO are coming from various quarters but the biggest threat is from one of its former proponents — the US.

The present US administration has taken a very tough stand on the WTO. The US President thinks that the WTO is the “single worst trade deal ever made”. He has often expressed his disdain for WTO in no uncertain terms and has repeatedly threatened to pull out of the organisation.

In the name of promoting nationalistic policies, the Trump administration is repeatedly flouting the WTO rules and unilaterally imposing tariffs on other countries. Actions by the US trade officials are basically pushing the world towards a trade war.

To justify their actions, the US trade officials are using a rather arcane rule of GATT — the Article XXI. This Article says, in part, that GATT/WTO rules cannot prevent a country “from taking any action which it considers necessary for the protection of its essential security interests,”. The Article XXI was written during the establishment of GATT more than 70 years ago when the world was coming out of a series of major conflicts including the second world war. It was also a period of the ‘Cold War’.

May be during that era there was certain usefulness of this Article. But in the present context, there is serious debate about what is meant by “national security” and “necessary” action. For example, the US has used the ‘national security’ clause to increase tariff rates on imports of steel and aluminum. Not surprisingly, not many countries have agreed that import of steel and aluminum can threaten national security.

However, a recent WTO ruling has made the matter more complex. In a dispute between Ukraine and Russia, the WTO has ruled that while every member can define its essential security interests, the WTO has the right to review whether a country’s claim was made in good faith. This ruling has opened a Pandora’s box and can potentially turn the WTO dispute settlement (DS) process into a forum to discuss international political problems. Against the backdrop of a potential trade war, this may lead to more conflict among the WTO member countries and put pressure on the WTO DS system.

Dispute settlement in crisis

The WTO dispute settlement process is anyway going through a crisis. In the recent past, several WTO rulings have gone against the US. These have led the US officials to claim that the US is being victimised and the WTO rules are violating its national sovereignty.

For example, a recent report of the Appellate body (AB) of WTO — dated July 16, 2019 — has ruled that the US broke WTO rules while imposing certain trade barriers against China. If the US does not remove these trade barriers, then China can impose sanctions against US exports.

In WTO, an AB report is final, and binding and it cannot be challenged. Therefore, the US will have to act unless it wants to give China an option to exercise trade sanctions against the US. No wonder such rulings have not gone down well with the US officials. They have accused the WTO system of encroaching on its national sovereignty. They have also accused the WTO dispute settlement system of judicial “overreach”. As a retaliation to its perceived victimisation, the US is blocking appointment of members in the WTO AB since the past few years. This has serious ramifications for the WTO dispute settlement system. In the WTO dispute settlement system, any trade dispute is initially tried to be settled through consultations among the disputing members.

If that does not work, then the case goes to a dispute panel. The decision of the dispute panel is final, but the decision can be appealed to the AB. The AB reviews the decisions of the panel. But once the AB gives a report, it becomes final and binding on the members.

According to the WTO system, the AB should have seven members who are appointed by consensus among WTO members. Any appeal from the WTO dispute panels must be heard by three out of seven members of the AB. These seven members are appointed for a four-year term. Once an AB member finishes his/her term, a new member is required to be appointed to keep the strength of the AB at seven.

US blocking appointments

However, since 2017, the US has been blocking appointment of new members in the AB. Four members of the AB have completed their terms, and no replacement members could be appointed. Presently there are only three members left in the AB and if no new members are appointed, then by December 2019 there will be only one member left. This will make the AB dysfunctional and will jeopardise the WTO dispute settlement mechanism.

This can have a serious impact on the rule based multilateral trading system. The US administration is regularly threatening countries with imposition of additional tariffs. They have also raised tariff rates on several products. Some countries like India have retaliated and imposed countermeasures against US exports. It almost appears that the US is using a two-pronged strategy to create disruptions in the global trading system.

It is violating the WTO rules and raising a large number of trade disputes while continuing to block appointment of AB members thereby disrupting the DS system. These trade frictions and uncertainties are hurting global trade quite significantly. WTO data released in April this year show that international merchandise trade growth is slowing down perceptibly.

After a healthy year-on-year growth rate of 4.6 per cent in volume terms recorded in 2017, the growth rate of global merchandise trade has slumped to 3 per cent in 2018 and is further expected to slow down to 2.6 per cent in 2020.

If major trading countries continue to undermine the role of WTO and global trade continues to decline, it may become a serious setback for an organisation which is struggling to remain relevant in a changed global trade scenario.

New Delhi may not join interim arrangement to replace appellate body at WTO

Asit Ranjan Mishra, Live Mint

30 July, 2019: India is unlikely to strike bilateral deals with World Trade Organization (WTO) members such as the European Union (EU) and Canada who have worked out an interim arrangement to preserve the dispute settlement function of the multilateral body by agreeing to set up arbitration panels to resolve disputes.

The Appellate Body—considered the supreme court of the WTO —is set to become dysfunctional by 10 December as the US is not allowing appointment of judges to the panel.

“Why should we give up our right to appeal in the Appellate Body against any adverse judgment by a dispute settlement panel? We are not going to bind ourselves to a bilateral arbitration with other countries. The EU and Canada seem to have given up hope on the survival of the Appellate Body after December," a senior Indian trade official said on under condition of anonymity.

The seven-member appellate panel currently has only three members, the minimum required for giving a judgment. However, two are set to retire in December, making the body defunct.

Canada and the European Union on Thursday had announced a deal under which both sides will opt for an arbitration procedure and respect its ruling as final if the Appellate Body is not able to hear appeals of panel reports in any future dispute between Canada and the European Union due to an insufficient number of its members.

Reuters had reported on 26 July that the EU and Canada are expected to try to set up similar workaround arrangements with other WTO members such as China, India and Brazil, to ensure they can continue to rely on binding dispute settlement in future.

While the US has been trying to use the opportunity of a dysfunctional Appellate Body to push through wide-ranging reform in the WTO rules including amendment of the developing country criteria, India is of the view that crisis in the Appellate Body should not be used as a leverage to extract concessions in other areas of the WTO’s functioning.

“We now have 12 proposals on the table to address the concerns raised by the member (the US) blocking the appointments. In the last six months, we have had four open-ended and nine small group meetings under the informal process on Appellate Body matters, with an issue-by-issue discussion of all proposals on the table. And yet, we are no closer to a solution than we were at the beginning of the year. This is a very dire situation," India told the WTO General Council meeting on 23 July.

India proposed that the focus should remain on solution-oriented approaches that explore ways in which the concerns with the functioning of the appellate body can be addressed in a manner that accommodates the interests of the entire membership and preserves the essential features of the system.

“Most WTO members do not want international trade without rules, or to be more precise, international trade where the rules are whatever the strongest party to a dispute says the rules are. Most members have a strong interest in an effective rules-based dispute settlement system, evidenced in the serious efforts by several members to address the concerns raised. Such an overwhelming show of good faith and willingness to engage should not be squandered away. With less than five months to go before the impending paralysis of the Appellate Body, we hope to see real engagement from the United States," India said.

Make in India: Apple seeks lower tariffs for smartphone makers to boost exports

Rishi Ranjan Kala and Banikinkar Pattanayak, Financial Express

July 23, 2019: Amid an escalating trade war between Washington and Beijing, US tech giant Apple wants India to come out with a sector-specific policy to boost smartphone exports and address “disabilities” vis-a-vis China and Vietnam, sources told FE. In its discussions with the government, the iPhone maker has also sought a globally “competitive tariff regime” to be able to both ship out and sell smart-phones in the domestic market from a single facility. For its part, a section of the government is exploring the feasibility of allowing imports of only state-of-the-art telecom components that are not available in India at zero or concessional duties, provided the finished products are re-exported, according to one of the sources.

Since Apple doesn’t make its own products but does it through contract manufacturers, including Wistron, Foxconn and Pegatron, it wants incentives for these firms that may otherwise be unwilling to set up shop here if they have to import too many components by paying duties to make iPhones. Already, US President Donald Trump has asked India to scrap or trim its “high tariff” in electronics (20%) and other sectors. With labour costs in China rising, foreign firms have been scouting for locations to shift base. This trend is expected to pick up pace as the US-China trade war has escalated in recent months. But with its high corporate taxes, inflexible labour rules and hurdles in land acquisition, India is losing out to countries like Vietnam in drawing foreign investors, especially electronics.

To illustrate, while large foreign companies in India have to pay as high as 43.68% tax, companies in the high-technology sector in Vietnam is enjoying the preferential tax rates of 10% for 15 years or 17% for 10 years, compared with the regular rate of 20%, exporters say.

Queries sent to Apple last week didn’t elicit any response until the paper went to press on Monday. Sources had earlier said Apple had asked the government for assured incentives for five years under the Merchandise Export from India Scheme (MEIS) and income tax relief on exports, having revised its 2016 proposal in which it had wanted a raft of concessions, including a 15-year customs duty holiday on a range of items. Apple has a negligible market share in India, so it is looking at setting up a base here for exports.

However, now that India is considering phasing out the MEIS, as the country’s export subsidies have been challenged at the WTO, the government can’t commit such incentives to promote manufacturing locally. Instead, it is planning to roll out WTO-compliant schemes to incentivise local production. To woo foreign investments, the Budget 2019-20 recently proposed to ease the mandatory 30% local sourcing rule, which would help companies like Apple that had been seeking a relaxation in this norm.

Under the MEIS, the government provides exporters duty credit scrip up to 5% (for certain telecom products, it’s 4%) of their export turnover, depending upon products and shipment destinations. Of course, MEIS benefits are not just for Apple but for all companies that wish to export stipulated products, including electronics. But the tech major wanted an assurance that such benefits would not be scrapped for at least five years, a source had said earlier.

Apple has already started the assembly of iPhones in India (Phone SE in 2017 and iPhone 6s in 2018) through Wistron at its Bengaluru unit. However, the likelihood of a larger manufacturing facility in India hinges on the kind of concessions the Centre would offer to the tech giant.

The average value addition in the assembling of mobile handsets in India by foreign players is less than 10%, although in a very few cases, it goes up to 30%. Apple had in 2016 sought a 15-year customs duty holiday on imports of iPhone kits, new and used capital equipment and consumables and duty cuts on components — completely knocked down and semi knocked down units of iPhones — for re-assembly at the finished goods manufacturing line. It also wanted exemption from the PMP — that is chargers, batteries and headphones for manufacture of Apple phones be exempted from import duties. It also wanted a waiver from the local sourcing rule, which was rejected by the finance ministry.

Manufacturing sector's RCEP inhibitions

VK Saraswat, Prachi Priya & Aniruddha Ghosh, Financial Express

July 25, 2019: With a stable and full majority government back to power at the Centre, the Prime Minister has already hit the ground running by setting up two key Cabinet panels on growth & investment and employment & skill development. The focus on the manufacturing sector is critical for sustainable economic growth. Manufacturing not only creates strong positive backward and forward linkages in the economy, but, according to estimates, every job created in manufacturing has a multiplier effect of 2-3x additional jobs in other sectors. Industrial revolutions don't happen overnight. They require careful planning, policy interventions, regular upgrades, and innovations and investments at every stage of development.

The contribution of the manufacturing sector to India's GDP has remained stagnant at around 17% since the 1990s, and the sector needs a big push in order to drive potential GDP growth. In the current context of rising trade war tensions and slowing global growth, most countries are cushioning their domestic industry from trade diversion. According to WTO data, trade protectionism has been on the rise both in terms of the number of global trade-restrictive initiations and import coverage of these measures. In the current scenario, a two-pronged strategy of raising domestic competitiveness (via a carefully-planned and targeted Industrial Policy) and cushioning the industry from surge in imports due to trade diversion (via carefully-negotiated FTAs) is the need of the hour.

In this regard, India needs to take a cautious approach towards FTAs. A NITI Aayog note ('A Note on Free Trade Agreements and Their Costs', Dr Saraswat, Priya, Ghosh 2018) had earlier highlighted that India's combined trade deficit with FTA partners like the ASEAN, Japan and South Korea has almost doubled in the last eight years. India's trade deficit with the Regional Comprehensive Economic Partnership (RCEP) bloc of over $100 billion is almost 64% of its total trade deficit, of which China alone accounts for over 60% of the deficit. The report also highlighted that the quality of trade has deteriorated under the ASEAN-India FTA. As per UN's Harmonised System of product classification, products can be grouped into 99 chapters and further into 21 sections like textiles, chemicals, vegetable products, base metals, gems and jewellery, etc (similar to sector classification). The analysis shows that trade balance has worsened (deficit increased or surplus reduced) for 13 out of 21 sectors. This also includes value-added sectors like chemicals and allied, plastics and rubber, minerals, leather, textiles, gems and jewellery, metals, vehicles, medical instruments, and miscellaneous manufactured items. Sectors where trade deficit has worsened account for about 75% of India's exports to the ASEAN.

Having said that, the RCEP—the 16-country mega Asian FTA—has been viewed with caution by Indian policymakers. Commerce minister Piyush Goyal has held industry consultations over the last few days to ensure all industry issues are considered before the deal is sealed. It should be realised that reciprocity is the key to FTAs. The biggest driver for trading partner countries to sign an FTA with India is the access to a big and booming consumer market. So it's quite logical for India also to assess what it gets in return. That's probably the reason why India has received a lot of backlash at various rounds of RCEP negotiations from other trading partners. As per media reports, in the latest meeting in Bangkok, India's proposal for strict rules of origin requirements was not welcomed by other FTA partner countries. Rules of origin are critical as they determine the source of a product for it to qualify for preferential treatment. India has been demanding a stricter rule of origin criteria for its domestic industry (40-60% of value-add) as it fears that China can easily misuse lax rules of origin, like the 35% value-added rule in order to dump goods into India. The fear is not unwarranted as rerouting of Chinese goods into Indian markets via India's FTA partner countries is quite common. Previously, too, under the India-Sri Lanka FTA, Sri Lanka had started exporting copper to India by under-invoicing of imported scrap in order to show higher value-addition for its goods to qualify for preferential rates under the FTA. Thus, rules of origin norms can easily be circumvented by simple accounting manipulation.

Moreover, the domestic industry has been vocal about its discomfort with respect to opening up of the domestic market to Chinese exports. This is understandable given the massive Chinese overcapacity in key manufacturing industries, and major support programmes in the form of financial, non-financial and trade measures for the domestic industry that give an edge to Chinese producers over other trade partners. China's manufacturing surplus and dumping of goods across the world is well known. China is the recipient of the highest number of anti-dumping duty (ADD) measures in the world, with 926 ADD measures against it (1995-2017), which amounts to almost a quarter of all ADD measures globally.

Policymakers should also be cognisant of the use of non-tariff barriers (NTBs) by China. As per reports, even though China has agreed to open almost 92% of their tariff lines, expecting India to reciprocate in the same manner, India's concerns over China's NTBs merit serious attention. China's usage of NTBs like complex product certification process, labelling standards, customs clearance, pre-shipment inspection and import licensing have hindered India's access to their markets. Dealing with NTBs is costly and, therefore, we must factor in this associated barrier before we move ahead with trade pacts, the RCEP in particular. Thus, in terms of reciprocity in an FTA, India's exports access to Chinese markets will be limited given China's overcapacity, use of NTBs, and significant financial and non-financial support available to its domestic industry.

Against this backdrop, India must have a plan to deal with the massive support that China offers its industries, leading to overcapacity and price undercutting post-RCEP. Therefore, we suggest that appropriate safeguard clauses must be put in place within the RCEP in case injury to domestic industry is found. A clause on provisional safeguard measures should also be introduced. Within the FTA, a provision should be made for safeguard measures to be invoked if a volume or price trigger for the concerned products is reached.

Given the current state of Indian industry, phased elimination of tariffs is necessary especially with respect to some key manufacturing industries that have long gestation periods until they start running on full capacity. An example of this kind of negotiation was the India-Japan FTA where India negotiated for most of its tariff lines under sensitive track (almost 63% under sensitive track, 14% under exclusion). This was in contrast to the ASEAN-India FTA wherein 76% of tariff lines were opened up for complete duty elimination. Therefore, at least a 15-25 years' tariff elimination schedule should be negotiated for key sectors like chemicals, metals, automobiles, machinery, food products and textiles, which individually contribute more than 5% to India's manufacturing GDP and employment. Thus, as suggested, phased elimination of few key manufacturing industries is absolutely essential with respect to China, and last but not the least, a rules of origin criteria that ensures a fair amount of value-addition to determine the source of a product.

While our negotiators bargain hard for an inclusive and balanced RCEP, domestically we must fiercely focus on eliminating the niggles our manufacturing sector and exports are facing. India's transformational plans for the manufacturing sector will require support in the form of a new industrial policy that creates the necessary incentives for key sectors to be an active part of this process. These are necessary complements for ensuring maximum leverage out of our trade deals, and especially the RCEP.

Revenue concessions to RCEP may touch Rs 60,000 crore

Sidhartha, The Times of India

New Delhi, July 29, 2019: Hidden in the Budget documents is a number that has gone virtually unnoticed - India's revenue foregone due to the trade agreement with Asean more than doubled to nearly Rs 26,000 crore in 2018-19 from the previous fiscal, as it allowed duty-free and lower duty import of more goods from the trading bloc.

Last fiscal's giveaway - which is as much as the Centre hopes to collect through the super-rich tax this year - may rise in the coming years as the current utilisation of the trade pact is only around 40% of its potential. But the bigger fear for policy makers, especially those in the finance ministry, is the revenue foregone due to the Regional Comprehensive Economic Partnership (RCEP) agreement that is currently under negotiation. With the talks gathering steam, the revenue department has raised the red flag, arguing that concessions could easily top Rs 30,000 crore a year once they kick in and will nearly double to Rs 60,000 crore after the agreement is fully in force.

Many, however, see it as a notional revenue loss since a large part of the trade would not take place in the absence of the free trade deal. Going by the experience of past agreements, India's imports from a trading partner have gone up at a faster pace than exports, with little gains accruing on the services front.

In contrast, India stands to gain little as import duty in some of the countries is much lower. World Bank data base estimated that in 2017, India's average duty was 5.2% (including agriculture goods), compared to 3.8% in China and 2.1% in Indonesia.

Besides, India's imports from the 15 countries added up to around $173 billion, while exports were of the order of $68 billion. "Low duty imports will have a massive impact on our manufacturing sector. We can virtually forget about the Make in India," said a revenue officer. It will not only result in trade creation, which will lead to domestic production being replaced by imports, but also see goods from other countries, such as the US, getting replaced by cheaper rivals from China and Vietnam, officials warned.

During a recent meeting with the Asean troika led by Indonesia, commerce and industry minister Piyush Goyal himself highlighted at least nine concerns with the India-Asean Comprehensive Economic Cooperation Agreement (CECA) that has been in place for close to a decade now, in a suggestion to ensure that RCEP does not suffer from such drawbacks.

Like RCEP, where the entire focus is on removal of tariffs, Asean too saw a massive import duty cut. But, Goyal pointed out that non-tariff barriers were preventing India's exports from entering several markets. For instance, in Japan and South Korea, steel exports meet barriers erected by local industry. Several officials have pointed out that there is a need to discuss ways to prevent non-tariff barriers from holding up exports.

Similarly, the government pointed out that the review mechanism needs to be robust as India's concerns on Asean CECA haven't been addressed since 2011, with the 10 countries putting the blame on each other. "If there are more countries, a review may be even tougher," said an officer.

No special treatment to China, India, S Africa, Indonesia at WTO, says Trump

D. Ravi Kanth, Live Mint

Geneva, 27 July, 2019: Continuing his trade wars on multiple fronts, President Donald Trump has dropped another bombshell. He threatened on Friday that the US will no longer treat China, India, South Africa, and Indonesia as developing countries for availing special and differential treatment during the current and future multilateral trade deals negotiated at the World Trade Organization (WTO).

The US, he said, will “use all available means to secure changes at the WTO that would prevent self-declared developing countries from availing themselves of flexibilities in WTO rules and negotiations that are not justified by economic and all other indicators."

In 90 days, China, India, South Africa, Indonesia , and 30 more countries must stop designating themselves as developing countries for availing what is referred to as the S&DT (Special and Differential Treatment).

Otherwise, the US (a) “will not support any such country’s membership in the OECD (the Organization for Economic Cooperation and Development)"; (b) “consider the WTO member’s involvement in global trade, membership in key economic decision-making groups, placement within relative economic and other indicators, and any other factors the USTR (United States Trade Representative) deems appropriate"; and (c) the USTR shall publish on its website a list of all self-declared developing countries that the USTR believes are inappropriately seeking the benefit of developing country flexibilities in WTO rules and negotiations."

In addition to the trade wars with China over a range of issues and with France on the new tax to be levied by Paris on transactions of major international internet behemoths, President Trump lunched this multilateral trade war with some 30-odd countries over a treaty-embedded right — S&DT — for developing countries since the establishment of the WTO in 1995.

“How absurd it is to launch a multilateral trade war against developing countries by President Trump and his trade representative Ambassador Robert Lighthizer," said a developing country trade envoy, who preferred not to be quoted. “It is only on Wednesday (24 July) that a large majority of countries rejected the US’ proposal, for the third time, on differentiation/graduation for availing S&DT among developing countries."

The US is aggressively pursuing a " slash-and-burn" strategy at the WTO by destroying a major arm of the dispute settlement system — the Appellate Body — while making “outrageous demands for denying S&DT to developing countries," the envoy maintained.

Coming back to the S&DT provisions, developing countries are allowed under S&DT longer time periods for implementing WTO agreements and commitments, lower level of commitments or what are called less-than-full reciprocity and measures to increase trading opportunities.

Further, there is a built-in non-reciprocity provision under the S&DT architecture, implying that developing countries are not required to provide the same level of market access to developed countries.

The Decision on Differential and More Favorable Treatment, Reciprocity and Fuller Participation of Developing Countries — called the Enabling Clause in trade jargon — was adopted under the Tokyo round of the GATT in 1979.

But the US and President Trump have turned their back to the international legal obligations. The US terminated more than $6 billion benefits accruing to Indian exporters under the Generalized System of Preferences Scheme last month, in flagrant violation of global trade rules. Successive US administrations beginning with President George Bush have launched a sustained assault on the S&DT, with China, India, Brazil, and South Africa being declared as advanced developing countries that no longer be provided with S&DT at the WTO.

Early this year, the US received a shot in the arm in its campaign against the S&DT. Brazil's new President Jair Bolsonaro declared in the presence of the US President Donald Trump on 19 March that Brazil will begin to forego S&DT at the WTO.

Subsequently, there have been sustained attempts by the US to bring about differentiation/graduation to deny S&DT to China, India, South Africa, Indonesia and 30 more countries in the current and future trade negotiations at the WTO and outside the trade body.

In a letter sent to trade ministers of developing countries on behalf of President Trump on 26 April, the US Trade Representative Ambassador Robert Lighthizer wrote "I am reaching out to you to ask you to support this [American] initiative by agreeing to forego special and differential treatment in current and future WTO negotiations."

Nevertheless, developing countries remained solidly opposed to the US' proposal. China, which is cited by President Donald Trump as one of the developing countries that do not deserve the S&DT, asked the US "not to do anything more than three times," suggesting that the US' proposal to bring about differentiation/graduation for accessing S&DT among developing countries has been rejected in three successive General Council meetings.

"China's position remains unchanged on development , and special and differential treatment," the Chinese trade envoy Ambassador Zhang Xiangchen told his American counterpart Ambassador Dennis Shea at the GC meeting on 24 July.

"The centrality of the Special and Differential treatment," said Ambassador J S Deepak, India's trade envoy at the General Council meeting, remains "non-negotiable, treaty-embedded right for developing members and the least-developed countries."

" It is essential to preserve S&DT for allowing developing countries the space to formulate their domestic trade policy, in a way that helps them to reduce poverty, generate employment and integrate meaningfully into the global trading system," India maintained.

India has adopted a prudent strategy of engaging on all issues with the US and other industrialized countries while adhering to its core trade priorities based on S&DT, said a Geneva-based legal analyst, who asked not to be quoted.

Moreover, “despite significant progress achieved by developing countries since the creation of the WTO, old divides have not been bridged and, in some areas, they have even widened," Ambassador Xolelwa Mlumbi-Peter of South Africa maintained. “While new divides, such as those in the digital and technological spheres are becoming more pronounced, in addition, despite progress achieved, developing countries have not come anywhere near catching-up with developed members," she told her US counterpart at the General Council meeting.

Trump targets India and China, asks WTO to tweak developing country status

Asit Ranjan Mishra, Live Mint

27 July, 2019: The US president Donald Trump has upped the ante on the special and differential status enjoyed by large developing countries such as China and India under WTO rules by asking his trade representative to take necessary action.

Donald Trump on Friday night tweeted: "The WTO is BROKEN when the world’s RICHEST countries claim to be developing countries to avoid WTO rules and get special treatment. NO more!!! Today I directed the U.S. Trade Representative to take action so that countries stop CHEATING the system at the expense of the USA!"

Following Trump's directive, U.S. Trade Representative Robert Lighthizer issued a statement:

“For far too long, wealthy countries have abused the WTO by exempting themselves from its rules through the use of special and differential treatment. This unfairness disadvantages Americans who play by the rules, undermines negotiations at the WTO, and creates an unlevel playing field. I applaud the President’s leadership in demanding fairness and accountability at the WTO, and I look forward to implementing the President’s directive."

It is not immediately clear what action the US can take unilaterally as decisions at WTO are on consensus basis and most developing countries have vehemently opposed the idea proposed by the US. The US is however set to paralyse the apex adjudicating body at the WTO-the appellate tribunal--by not allowing appointment of new judges to the body.

In a paper submitted to the WTO in February this year, India, China, South Africa and Venezuela said self-declaration of developing member status had been a long-standing practice and best serves the WTO objectives. The paper said the persistence of the enormous development divide between the developing and developed members of the WTO is reflected on a wide range of indicators such as levels of economic development, GDP per capita, poverty levels, levels of under-nourishment, production and employment in the agriculture sector, among others.

The joint statement of the informal WTO ministerial organised in Delhi in February said special and differential treatment is one of the main defining features of the multilateral trading system and is essential to integrating developing members into global trade. "Special and differential treatment provisions are rights of developing members that must be preserved and strengthened in both current and future WTO agreements, with priority attention to outstanding LDC issues," the joint statement read.

The US has already submitted a proposal at the WTO stating that as several developing countries such as China and India have made significant strides in development, countries that are members of G20 or Organisation for Economic Co-operation and Development, as well as those classified by the World Bank as a high income country or those with 0.5% share in world merchandise trade should not get S&D benefits in trade negotiations.

The US wants countries like China and India to give up their “developing country" status given their rapid economic progress.

Trump also removed India from the list of developing country WTO Members exempt from application of the safeguard measures on certain crystalline silicon photovoltaic (CSPV) products and large residential washers while withdrawing the duty free benefits to Indian exporters under the Generalized System of Preferences.

“I have determined that India has not assured the United States that India will provide equitable and reasonable access to its markets. Accordingly, it is appropriate to terminate India’s designation as a beneficiary developing country effective June 5, 2019," Trump said last month in his proclamation.

India's proposal for WTO reforms supported by a large majority of countries

D. Ravi Kanth, Live Mint

Geneva, 26 July, 2019: A large majority of countries on Wednesday endorsed a joint proposal by India, South Africa, and seven other countries for reforming the World Trade Organization, in the face of existential threats to the survival of multilateral trading system, say trade envoys.

The joint proposal, based on a concept paper prepared by India, called for the immediate resolution of the impasse at the highest adjudicating body for global trade disputes. It calls for prohibiting unilateral trade measures. It asked for “development-centric" reforms that would strengthen the 164-member trade body.

But the United States severely opposed the joint proposal saying it will unravel the Uruguay Round agreements that established the WTO, according to a trade envoy, who asked not to be quoted. “The US remains opposed to resolving the impasse at the Appellate Body while seeking fundamental changes in the architecture of the WTO," envoy maintained.

Earlier this week, the US trade envoy Ambassador Dennis Shea told informal group of developing countries that President Donald Trump has “personal interest" in bringing about what is called differentiation at the WTO for availing special and differential flexibilities among developing countries.

However, several other industrialized countries, particularly Norway, supported the joint initiative saying it offers a way-forward for strengthening the WTO in the face of a sustained assault on multilateral trading system, the envoy said.

At a General Council meeting of the WTO, India introduced the joint proposal by South Africa, Bolivia, Cuba, Ecuador, India, Malawi, Tunisia, Uganda, an Zimbabwe saying the proponents want to “bring balance to the on-going discussions on WTO reform by reaffirming the importance of development to the work of this organization".

With WTO reforms being at the centre-stage of discussions for salvaging the global trade body in the face of unilateral trade measures, Ambassador J S Deepak, India’s trade envoy to the WTO, pointed that“as the original proponents of reforms to correct the asymmetries in the covered Agreements, developing Members are more than willing to engage constructively in these discussions."

India expressed sharp concern over “a one-sided narrative" being advanced by major developed countries, especially the US, that disregards “issues of importance and concern to developing countries." Moreover, the one-sided narrative “erodes the core principles of consensus-based decision making, non-discrimination and Special and Differential Treatment (S&DT)," India warned, chiding the proposals “to differentiate between developing Members; impose punitive strictures for noncompliance with notification obligations; and do away with S&D in negotiations on fisheries subsidies are illustrative of the lack of balance in the reform proposals that have been tabled."

The concept paper circulated by nine developing and least-developed countries, according to Ambassador Deepak, aims to “ensure that issues of their interest are not side-lined in ongoing discussions on WTO reform."It states emphatically that “the Marrakesh Agreement establishing the WTO recognizes that international trade is not an end in itself, but a means of contributing to certain objectives including ensuring that developing countries and LDCs secure a share in international trade commensurate with the needs of their economic development."

Therefore, discussions on WTO reform, India cautioned, “should be premised on the principles of inclusivity and equity, and not serve to widen existing asymmetries in the covered agreements". Without naming the US, the joint proposal calls for “disciplining laws and regulations of WTO Members which mandate unilateral action on trade issues that are inconsistent with WTO rules". It says there is an urgent need for “strengthening the multilateral character of the WTO, especially through the preservation of the practice of decision-making by consensus".

“Our immediate priority in WTO reforms should be to resolve the ongoing impasse in the Appellate Body to address the unilateral measures as these pose serious existential challenges for the organisation," India maintained.

China’s trade envoy Ambassador Zhang Xiangchen commended “India and other co-sponsors for their efforts in putting forward" the joint proposal, saying"China shares similar views on various issues raised in the paper, on which we have clearly expressed our positions in China’s Proposal on WTO Reform". “ In particular, we agree that WTO reform does not mean accepting either inherited inequities or new proposals that would worsen imbalances," the Chinese envoy said and maintained that “reforms must be premised on the principles of inclusivity and development".

South Africa’s trade envoy Ambassador Xolelwa Mlumbi-Peter castigated the US’ suggestion that the Doha Round is dead. Unless WTO members formally declare the closure of the Doha negotiations, they will continue even if the US opposes them, she argued.

Brazil’s lack of interest in BRICS a matter of concern

Financial Express

July 31, 2019: Brazil´s apparent lack of interest in taking a leadership role in global governance has led critics to question the efficacy of the Brazilian pro-tempore presidency of the BRICS and what Brazil, Russia, India, China, and South Africa can concretely achieve together this year. The recently concluded meeting of the BRICS Ministers of Foreign Affairs in the city of Rio de Janeiro confirmed these concerns. With loose commitments and avoidance of politically sensitive issues, the meeting gave a margin for small victories of individual countries in thorny issues like India’s strides to prevent and counter-terrorism.

Until the 2016 BRICS Summit in Goa, a joint approach to terrorism was out of sight despite India’s endeavors to have the theme included in the final declaration. The contrasting stances taken by India and China was the main factor leading to the stalemate: while India portrayed the matter as a regional problem and lobbied to have Pakistan-based terrorist groups blacklisted for their acts of terror in Jammu and Kashmir; China thwarted India’s initiatives to assert Pakistan as a terror-funding state. Despite the 2016 Goa Summit being held just after a terrorist attack against an Indian Army bastion in Uri, the Pakistan-based terrorist groups Jaish-e-Mohammed (JeM) and Lashkar-e-Taiba (LeT) did not feature in the official documents.

At the BRICS Summit in Xiamen the following year, China accepted India’s bid to take in a provision condemning JeM, LeT, Tehrik-e-Taliban, and the Haqqani Network in the final declaration. India construed the episode as a notable diplomatic negotiation amid the Doklham standoff with China on the eve of the Summit. The merriment did not last long as Pakistan was in distraught to see China’s backing of India's proposal. Foreign Minister of China Wang Yi immediately clarified that China acknowledged Pakistan as a victim of terror, and not as a sponsor. Later in the year, China blocked India's proposal of blacklisting JeM leader Masood Azhar during a special United Nations Security Council session. When India again pushed to blacklist Masood Azhar at the United Nations in 2019, China endorsed the pledge, but no mention was made to JeM's terrorist activities in India in the final document.

The statement of the meeting of the BRICS Ministers of Foreign Affairs deplored recent terrorist attacks in some BRICS countries, in reference to the JeM suicide attack in Jammu and Kashmir's town of Pulwama earlier this year. It also called for specific measures like countering radicalization, blocking sources and channels of terrorist financing, dismantling terrorist bases, and countering misuse of the internet by terrorist entities through information and communication technologies. Despite acknowledging the work of the BRICS Working Group on Counter Terrorism, a comprehensive counter-terrorism approach by the five countries is unlikely unless India and China agree on similar perspectives on terrorism.

A BRICS consensus over the resolution of the Syrian conflict and the Venezuelan crisis is also in the pipeline. The Ministers limited expressing their concerns at conflicts and situations in the Middle East, North Africa, and other regions that have a significant impact at the regional and international levels. Russia's closeness to Assad's regime has been contrary to BRICS proposal for "Syrian-led, Syrian-owned" negotiation process as the only legitimate solution for the war-torn state. India and China's economic interests in the Middle East could lead to a negotiable solution with Russia, but Brazil and South Africa's diplomatic narratives do not favor military action in the war-torn state. Brazil's support to the US-backed Juan Guaidó in Venezuela, in turn, has isolated the country from the other BRICS.

Another controversial issue is how the BRICS will respond to the US-China trade war in view of the relative stagnation of intra-BRICS trade. On the sidelines of the G20 summit in Osaka last month, the five countries committed to "transparent, non-discriminatory, open, free and inclusive international trade," striving to strengthen the role, function and dispute settlement mechanism of the World Trade Organization (WTO) as the central pillar of the multilateral, rules-based trade system. These principles were included in the statement of the meeting of the BRICS Ministers of Foreign Affairs.

The strong stance in support of openness in the global economy sends a clear signal: the BRICS members are willing to work together and defend the current international order threatened by isolationist sentiments in other G20 members. Continuing a trend from previous summits, the BRICS reiterated its emphasis on upholding the key principles of global governance, firmly opposing trends of unilateralism, populism and protectionism.

However, there is still no sign of a multilateral commitment to boost intra-BRICS trade. Proposals include the establishment of new intra-BRICS arrangements and mechanisms like a payment system in local currencies and a BRICS preferential trade agreement. The latter was supported by Jim O'Neil ahead of the 10th BRICS Summit in Johannesburg in 2018 to boost free trade among the five countries and render the US trade policies less relevant to any of them and the rest of the world.

Lastly, the statement of the meeting of the BRICS Ministers of Foreign Affairs included vague commitments to the 2030 Agenda for Sustainable Development, the Sustainable Development Goals and the implementation of the Paris Agreement. Despite emphasizing the centrality of people in BRICS and the need to deepen people-to-people exchanges, track II diplomacy remains underutilized compared to previous years.

The meeting of the BRICS Ministers of Foreign Affairs signaled that the 11th pro-tempore presidency of the BRICS shall be remembered by a lack of consensus on major topics and a feeble protagonism of its host, Brazil.

Countering unilateralism on agenda of BRICS meet in Brazil, says Russian envoy

Elizabeth Roche, Live Mint

Geneva, 26 July, 2019: The BRICS group of developing countries will discuss ways to counter unilateral moves by the US to impose sanctions against countries, as well as ways to strengthen multilateralism at preparatory meetings leading up to a summit of leaders in November.

Talking to reporters in New Delhi ahead of a meeting of the foreign ministers of Brazil, Russia, India, China and South Africa (BRICS) in Brazil on Thursday, Roman Babushkin, the newly appointed deputy chief of mission at the Russian embassy, criticized US actions to keep out Chinese telecom company Huawei from offering 5G services in American markets. Washington has also been cautioning friendly countries from using Huawei’s 5G services, and restricting operations of the Chinese telecom firm.

“We are against unfair means of competition. What the US is doing (against Huawei) is inappropriate," Babushkin, whose country was one of the founding members of the grouping, said. The comments come as India is examining whether to allow Huawei to participate in 5G trials.

According to Babushkin, BRICS as a grouping values multilateralism and the centrality of the United Nations (UN). The group rejected “unilateral approach to world affairs, including illegal unilateral sanctions, double standards and hidden political agendas," he added. Russia is to take the chair of BRICS after Brazil.

Last year, the US had imposed sanctions on Russia under the Countering America’s Adversaries Through Sanctions Act (CAATSA), which mandates Washington to punish entities engaging in significant transaction with the defence or intelligence establishment of Russia. This has put India in a difficult spot, considering that New Delhi had signed a pact to buy the S-400 air defence missile system from Russia, besides other military hardware.

Countries like India are also impacted by sanctions imposed by the US on Iran after Washington pulled out of the 2015 Iran nuclear deal. India, which sourced a large quantity of its crude from Iran, has brought its Iranian imports down to zero following the US's refusal to extend a waiver from sanctions for eight countries, including India after 2 May.

According to Babushkin, "this subject (of unilateral sanctions) is a very important part of the agenda of forthcoming meetings of the BRICS."

The importance of the World Trade Organization (WTO) will be one of the things stressed by the BRICS given that all countries in the grouping support open trade, said Breno Hermann, deputy chief of mission of the Brazilian embassy in New Delhi. "We need a strong WTO," he said, against the backdrop of the US putting unilateral tariffs against countries it claims are engaged in unfair trade.

Babushkin added that ways of strengthening the international financial system would also be discussed at the meet. BRICS had already declared a Contingent Reserve Arrangement operational a few years ago, and had also set up a New Development Bank in a bid to finance development and infrastructure projects.

Indian foreign minister S. Jaishankar was to travel to Brazil for a meeting of BRICS foreign ministers, but his trip has been cancelled, and India will be represented by MoS for roads V.K. Singh who was formerly the MoS for external affairs.

The talks in Brasilia come after an informal meeting of the leaders of BRICS countries on the sidelines of G20 summit in Osaka, Japan. An Indian foreign ministry statement said that India attached high importance to its engagement with BRICS and has continued to engage the grouping at the highest levels. "We believe that BRICS has emerged as a valuable forum for consultation, coordination and cooperation on contemporary global issues of mutual interest and has helped promote mutual understanding," the foreign ministry statement added.

India warns WTO's appeals body may collapse

D. Ravi Kanth, Live Mint

India has warned of the impending end of the World Trade Organization's (WTO) Appellate Body, trade envoys said, with the US continuing to block the selection of judges to the global trade disputes court.

“The ongoing impasse in filling vacancies of the Appellate Body remains, with no response from the objecting member (the US), in spite of dozen proposals to address to concerns related to its functioning," India said at an informal trade negotiations committee meeting on Friday.

The US has repeatedly blocked the selection complaining the Appellate Body failed to follow rules in the Dispute Settlement Understanding. Several countries have submitted proposals to improve its functioning, but to no avail. The Appellate Body will be down to a single member from 11 December, when it becomes dysfunctional.

“The (WTO) membership needs to act before the Appellate Body moves from the ICU to the mortuary," J.S. Deepak, India’s trade envoy warned at the meeting. An end to the Appellate Body frees the most powerful countries from adhering to multilateral trade rules, said a Geneva-based trade law expert, who asked not to be named.

“Without resolution of this issue, existing rules will become unenforceable and the adoption of new rules becomes futile," cautioned ambassador Xolelwa Mlumbi-Peters of South Africa. China has urged the US to engage in exhausting all possibilities and options so to avoid “the real crisis by the end of this year."

However, at the meetings convened by a facilitator—ambassador David Walker of New Zealand—the US stayed silent. “The US wants to see the closure of the AB because it had repeatedly ruled against several illegal measures adopted by the US," the expert cited above said.

On 18 July, the facilitator submitted a report suggesting changes to the functioning of the Appellate Body. While the US remained silent, several countries said it was unfair to change its architecture to satisfy the US, a trade envoy said on condition of anonymity.

US trade envoy Dennis Shea blamed big developing countries like India and South Africa for failing to give up their special and differential flexibilities commensurate with their economic growth. “It is difficult to see a way forward in current and future trade negotiations without some significant changes on this important issue (of differentiation/graduation from availing special and differential flexibilities) and we need to see contributions from those who are manifestly able to make them," he emphasized.

Ask members to amend laws that allow unilateral curbs, WTO told

Asit Ranjan Mishra, Live Mint

21 July, 2019: In a veiled attack on the US at a time trade tensions between the two nations are at a peak, India has urged the World Trade Organization (WTO) to ask member countries to amend their domestic laws that permit unilateral action on trade matters.

“Laws and regulations of WTO Members which mandate unilateral action on trade issues that are inconsistent with WTO rules would need to be amended. This will ensure that WTO Members are not perpetually under threat of unilateral action on trade issues by some members," India said in a concept paper presented to the General Council of WTO on 11 July that was supported by members such as South Africa, Zimbabwe, Cuba, Bolivia, Ecuador, Malawi, Tunisia and Uganda.

The US on 8 March 2018 unilaterally hiked aluminium and steel tariffs by 10% and 25%, respectively on many countries including India under the controversial Section 232 of national security provisions of the Trade Expansion Act, 1962 signed by then president John F. Kennedy. The section authorizes the US president to increase tariffs on import of goods from other countries if it deems the quantity or circumstances surrounding those imports to threaten national security.

China, Russia, the European Union, Norway, Turkey and Switzerland have also dragged the US to WTO dispute settlement body, alleging its unilateral sanctions are inconsistent under its WTO obligations. In December, the WTO set up a dispute panel to resolve the matter after the US initially blocked India’s first request for such a panel.

“This collective resort to dispute settlement reflects the serious concern of the WTO Membership over the United States’ actions," India said at that time, emphasizing that “it also reflects trust and confidence in the WTO as forum for resolving international trade disputes." It called for a “single panel" to rule on the US tariffs, as all the complaints are related to the same matter.

While the US has argued that the tariff hikes are under Article XXI of WTO rules which allows “security exceptions" to member countries, aggrieved members have argued that the tariff hikes are safeguard measures meant to protect American steel and aluminium industries and hence violate WTO rules.

India has imposed retaliatory tariffs on 28 products worth $217 million in June, a year after announcing the measures. Both countries were engaged in negotiations almost for a year to hammer out a trade package which would waive the tariff hikes for India and protect the duty-free market access to Indian exporters to the US under the Generalized System of Preferences (GSP). However, after the talks broke down over disproportionate demands from the US government, the US withdrew GSP benefits to India and India imposed the retaliatory tariffs which it kept suspended hoping for a trade deal.

Both sides revived trade talks at the official level earlier this month though there was no breakthrough. The commerce ministry stated that assistant US trade representative (USTR) Christopher Wilson was on a visit on 11-12 July to “explore potential for enhanced bilateral trade and economic engagement with India under the new government". Prime Minister Modi and President Trump had resolved to provide impetus to bilateral trade ties during their meeting at Osaka, Japan at the sidelines of the G20 summit on 28 June. Trade minister Piyush Goyal is expected to visit US in August to meet his counterpart USTR Robert Lighthizer to narrow down differences between the two sides.

“I think, we are at a pivotal juncture here in our relationship and at a critical intersection between a frustrating last few years that we have had and a possible future relationship that at this point is not really defined and is still being tested," PTI reported quoting Gerrish.

India has imposed retaliatory tariffs on 28 US products, including almonds and apples, starting 5 June, a year after announcing them to counter the increase in steel and aluminium tariffs by the US and the withdrawal of duty-free benefits to Indian exporters. Following the move, the US raised the dispute at the World Trade Organization (WTO). India also raised customs duties on a host of products, including alloy steel and auto parts, in the budget presented on 5 July.

India may keep sugar export sops despite complaints by rivals

Rajendra Jadhav, Live Mint

16 July, 2019: The government will keep its sugar export subsidies despite complaints to the World Trade Organization (WTO) from rival producers Brazil and Australia, though it will tweak how it provides them, four people directly involved in the matter said.

The export subsidies are designed to increase shipments from the world’s second-biggest sugar producer and reduce their brimming inventories. But that could pressure global prices that have only eked out a 2.1% gain this year after plunging more than 20% in 2018.

“The industry needs government support for exports. It will be provided without violating the WTO framework," said a senior government official involved in the policy making. “We may need to make some changes in the way we provide incentives."

Government and industry officials did not say what kind of changes they are planning to make, though they said they are seeking guidance from WTO experts.

Years of bumper cane harvests and record sugar production have hammered Indian sugar prices, making it hard for mills to pay money owed to farmers, who form an influential voting bloc.

To reduce that debt and pare rising inventories, the Centre said in September it would provide incentives to mills for overseas sugar sales and set an export target of 5 million tonnes for the 2018-19 marketing year ending on 30 September.

India’s exports surged to 3.3 million tonnes from 620,000 tonnes a year earlier. That prompted rivals to complain at the WTO, alleging the incentives violate trade rules.

The Brazilian government said on Thursday it had asked WTO to establish a panel aimed at resolving its dispute over Indian sugar subsidies. Australia and Guatemala also lodged complaints on Thursday.

India has been providing transport subsidies of between ₹1,000 a tonne to ₹3,000 a tonne to sugar mills, depending on the distance to ports. The government has also raised the amount it directly pays to cane growers to ₹138 a tonne in assistance from₹55 a year ago.

On Wednesday, Indian industry and government officials discussed how an incentive can be provided in the next marketing year starting from 1 October without violating WTO rules. “The export policy for the next season could be finalized early next month," said an industry official, who was part of Wednesday’s discussion.

Sugar mills are requesting that the government provide incentives to export 7 million to 8 million tonnes of sugar in the next season, up from this season’s target of 5 million tonnes, said Abinash Verma, director general, Indian Sugar Mills Association.

Indian mills traditionally produce white sugar for local consumption, but they produce raw sugar during years of surplus to help exports.

Trump issues a fresh tariff threat to India before trade talks this week

Asit Ranjan Mishra

New Delhi: Ahead of official-level trade talks between India and the US this week in New Delhi, President Donald Trump has again warned India that its high tariff regime is not acceptable to the US.

“India has long had a field day putting Tariffs on American products. No longer acceptable!" Trump tweeted on Tuesday.

India has imposed retaliatory tariffs on 28 US products, including almonds and apples, starting 5 June, a year after announcing them to counter the increase in steel and aluminium tariffs by the US and the withdrawal of duty-free benefits to Indian exporters. Following the move, the US raised the dispute at the World Trade Organization (WTO). India also raised customs duties on a host of products, including alloy steel and auto parts, in the budget presented on 5 July.

Assistant US trade representative (USTR) Chris Wilson and USTR deputy assistant Brendan Lynch are expected to meet Indian officials to break the deadlock in trade ties.

Jayant Dasgupta, India's former ambassador to WTO, said this could be a ploy on Trump's part to put pressure ahead of the trade talks to extract more from India. "Trump also tweeted on similar lines ahead of his talks with Modi last month. It is now following a pattern," he added.

On 27 June, ahead of his meeting with Prime Minister Narendra Modi on the sidelines of the G20 meeting in Osaka, Trump tweeted: "I look forward to speaking with Prime Minister Modi about the fact that India, for years having put very high Tariffs against the United States, just recently increased the Tariffs even further. This is unacceptable and the Tariffs must be withdrawn!"

Briefing reporters on 5 July, external affairs ministry spokesperson Raveesh Kumar confirmed that trade was one of the key issues discussed in the Modi-Trump bilateral at Osaka. "I think it is important to understand that in any relationship, which is multidimensional like India and the US, there are bound to be certain differences, there are bound to be perspectives where we share a different approach. How we handle it is the key and flowing out of that meeting what we agreed was on all these issues w e will continue to talk," he said.

Dasgupta said India should take the US complaints in an objective manner without compromising its larger interest. "We should try to find solutions where possible. Similarly, the US should also accommodate our market access issues with a helpful attitude," he said.

Trump has often termed India a "tariff king" and repeatedly pointed to the 50% duty it imposes on imports of Harley-Davidson motorcycles.

Last month, commerce minister Piyush Goyal said India accepted the decision of the US to withdraw GSP benefits to its exporters "gracefully", and would work towards making exports competitive.

In March, the US announced its decision to withdraw the preferential duty benefits to India after talks between the two sides broke down.

However, the US had deferred the withdrawal of GSP as Indian elections were underway. This had raised hopes that the two sides would re-engage to try and resolve their differences after the Modi government took charge. On 1 June, though, Trump issued the presidential proclamation and withdrew GSP benefits given to India, effective 5 June.

Trade war: Here's a list of tariffs by Trump and US trading partners

Business Line, August 2, 2019: United States (US) President Donald Trump said on Thursday he would impose a 10 per cent tariff on the remaining $300 billion of Chinese imports starting September 1, after negotiators failed to make progress in US-China trade talks.

Trump has used tariffs as a tool to negotiate better terms of trade for the US, saying bad deals cost millions of US jobs.

The following is a list of tariffs levied by United States and its trading partners:

US tariffs on China

US has imposed 25 per cent tariffs on $50 billion worth of Chinese technology goods including machinery, semiconductors, autos, aircraft parts and intermediate electronics components on July 6 and August 23 as part of 'Section 301' probe into China's intellectual property practices.

It has also imposed 25 per cent tariffs on $200 billion worth of goods including computer modems and routers, printed circuit boards, chemicals, building materials and furniture. A 10 per cent tariff on these goods was imposed on September 24, 2018, as a response to retaliation by Beijing.

On May 10, Trump increased the tariff rate to 25 per cent after accusing China of backtracking on earlier commitments in the talks.

US Trade Representative Robert Lighthizer has launched the process to impose 25 per cent tariffs on all remaining imports from China, another $300 billion worth of goods. That would hit consumer products hard, including cellphones, computers, clothing, toys and other consumer products.

Chinese tariffs on US

China, on May 13, announced it would increase tariffs on a revised list of 5,140 US products, worth about $60 billion, after Trump's move. The additional tariff of 25 per cent will be levied on 2,493 products, including liquefied natural gas, soy oil, peanut oil, petrochemicals, frozen minerals and cosmetics. Other products will see tariffs of 5 per cent-20 per cent.

The Asian nation has also imposed 25 per cent tariffs on $50 billion worth of US goods including soy beans, beef, pork, seafood, vegetables, whiskey, ethanol, imposed on July 6 and August 23, in retaliation for initial rounds of US tariffs.

China had suspended a 25 per cent duty on US auto imports during their trade negotiations. Beijing has resumed some purchases of US soy beans, but has not formally suspended those tariffs.

Based on 2018 US Census Bureau trade data, China would only have about $10 billion in US imports left to levy in retaliation for any future US tariffs. Retaliation could come in other forms, such as increased regulatory hurdles for US companies doing business in China.

US global tariffs

The US imposed 25 per cent tariffs on imported steel and 10 per cent tariffs on imported aluminium, imposed on March 23, 2018, on national security grounds.

Exemptions were granted to Argentina, Australia, Brazil and South Korea in exchange for quotas. Canada and Mexico were exempted from the tariffs in May. In response, both countries lifted their retaliatory tariffs on the US.

On January 22, 2018, it imposed 20 per cent to 50 per cent tariffs on imported washing machines as a “global safeguard” action to protect US producers Whirlpool Corp and GE Appliances, a unit of China's Haier Electronics Group Co Ltd. It also imposed 30 per cent tariffs on imported solar panels, as a “global safeguard” action to protect US producers Solar World, based in Germany, and Suniva, owned by China's Shunfeng International Clean Energy Ltd.

Trump is considering tariffs of around 25 per cent on imported cars and auto parts, based on a Commerce Department study of whether such imports threaten US national security.

Trump negotiated a new deal with Mexico and Canada to replace the NAFTA deal. This new US-Mexico-Canada Agreement protects Canadian and Mexican production in the event of such tariffs through a quota system.

Trump has pledged not to impose auto tariffs on Japan and the European Union while trade negotiations with those partners are under way.

European Union tariffs on US

The European Union on June 22 imposed import duties of 25 per cent on a $2.8 billion range of imports from the United States in retaliation for US tariffs on European steel and aluminium.

Targeted US products include Harley-Davidson motorcycles, bourbon, peanuts, blue jeans, steel and aluminium.

Indian tariffs

Trump ended preferential trade treatment for India in early June this year, resulting in US tariffs on up to $5.6 billion of imports from India.

India, the world's biggest buyer of US almonds, responded by slapping import duties on the nuts and 27 other US products.

Duelling tariffs with Turkey

The United States halved tariffs in May to 25 per cent on Turkish steel imports and 10 per cent on aluminium. It had doubled US duty rates on steel and aluminium from Turkey 50 per cent and 20 per cent, respectively, in August 2018 citing national security and currency concerns in an escalating trade spat between the NATO allies.

In response, Turkey said it would cut its tariffs on some US goods in response to the US reduction. It has tariffs on $1.8 billion worth of US goods, including motor vehicles, alcoholic beverages, rice, structural steel and beauty products.

Trump ended preferential trade treatment for Turkey effective May 17, a move that imposes tariffs on about $1.66 billion of Turkish imports.

Reducing the trade deficit with China

RC Acharya, Financial Express

August 2, 2019: Soon after taking power in December 1978, Deng Xiaoping famously stated: “It does not matter which colour is cat as long as it catches mice,” and with that private enterprise in China was no longer a dirty word. His perceived catchphrase “To get rich is glorious” unleashed personal entrepreneurship that still drives China’s economy. Today, China has spawned a vibrant private sector. India, too, took the inevitable plunge in the early 1990s, but has sadly fallen way behind.

After China joined the WTO, India-China trade has grown exponentially, from $1.49 billion in 2000-01 to $70 billion in 2018-19, with China becoming India’s largest trading partner. But this has come at a cost—a yawning trade gap.

While most of its exports to China are goods and raw materials, India imports mainly intermediate and finished goods. In 2016-17, its import mix was 16% capital goods, 21% consumption goods, 63% intermediate goods. Among top exports to China are petroleum products, cotton, organic chemicals, iron ore and plastic raw materials, whereas main commodities being imported are machines for reception, conversion-transmission, bulk drugs and drug intermediates, consumer electronics, and telecom instruments.

Keeping in view huge demand for alternative sources of energy, China has developed massive capacity and occupies a dominant position in manufacture of photosensitive semiconductors and PV cells, capturing 34.3% of world market!

How is it that China is more competitive than India? Is it the one-party system with long-term objectives zealously pursued, or government's policy interventions that ensure factors of production (land, labour, capital) are available to manufacturers at the lowest possible cost, or perhaps both?

Setting aside ideological, political and social differences, China has promoted 'Made in China' with a singular zeal. In 2016, in a survey by Deloitte, CEOs of Fortune 500 companies were asked to rank countries in terms of current and future manufacturing competitiveness, in which China was declared the numero uno. No wonder major MNCs such as Samsung, Toshiba, LG and scores of US MNCs have all set up shop in China. China has also cultivated its large pool of non-resident Chinese, offering them incentives to participate in socio-economic initiatives in mainland China, with a Cabinet-rank minister to look after their affairs. Belatedly, India has also set up a separate ministry to help NRIs contribute to India's economic growth, but needs to play a proactive role.

While India's average hourly compensation cost in manufacturing rose from $0.73 to $1.58 in 2012, in China it rose from $0.6 to $3.06. However, Chinese lending rates have remained low—from 3.3% in 2002 to only 4.4% in 2012, whereas India registered a drop from 11.9% to 9.7% for the same period. Cost of land, of course, is another story.

Apparels, electronic goods, telecom, pharma products, oilseeds, gems and jewellery, chemicals, tobacco, plastics, marine products, cotton textiles, synthetics and rayon textiles, and leather are some products that have a bright future.

To feed its billion-plus population, China is a big importer of farm products, reaching almost 10% of global trade. With exports of our agricultural products reaching almost $40 billion, India has a major stake in gaining access, which currently is mired in Chinese regulatory maze. Similarly, India is the world's largest producer of rice, whereas China is the biggest importer of this commodity. And with China importing 3.4 million tonnes of raw sugar per year, which is subject to a quota system providing concessional tariff, India's sugar industry should be able to negotiate a way in. Similarly, export of sesame seeds has not made much headway as Indian export attracts 10% duty, whereas African countries enjoy zero duty and have captured 90% of Chinese market.

A strategy for import substitution and attracting investments in telecom, solar power, bulk drugs and drug intermediaries, auto components, industrial machinery for dairy, agriculture, food processing, textiles, paper, chemicals, etc, and, last but not the least, electric vehicles and lithium-ion batteries needs to be pursued vigorously. Given intensive G2G and B2B negotiations, and gaining from the fallout of the China-US trade war, India should be able to substantially reduce its trade deficit with China in the years to come.

Friction between India and Brazil, following disagreement at WTO

Huma Siddiqui, Live Mint

July 30, 2019: With India's stand against Brazil's stand on the fisheries subsidies at the World Trade Organization (WTO) at the ongoing negotiations, the two are heading towards diplomatic friction. This is expected to hit the India-MERCOSUR talks as well as BRICS grouping.

The current rift between the two major emerging countries is based on Brazil's decision to give up developing country special and differential treatment (S&DT) at the WTO. This is something that the Trump administration had again demanded of emerging nations last Friday.

Sharing his views with Financial Express Online, Gustavo Rojas, Researcher of the Center of Analysis and Dissemination of the Paraguayan Economy (CADEP) said "India's recent veto against Brazil over the ongoing negotiation in the WTO on subsidies in the fisheries sector is a first sign of the discomfort growing among emerging countries. Particularly among BRICS member nations, after Brazil officially expressing its intention to open up special and differential treatment in future negotiations in the WTO."

The change of Brazilian position means a break in relation in its diplomatic tradition, and may affect its ability to coordinate positions among developing countries in the WTO, a role traditionally shared with India, Rojas observes.

In his view, Brazil's new position would be a condition set by the US to support its entry into the OECD. Previously too Brazil had protested against the subsidies offered by India for sugar production.

"The accentuation of the divergences between the two countries can promote internal divisions within the BRICS, given greater political weight and frequency of meetings among China, Russia, and India," he opined.

According to Rojas, it reduces expectations of progress in the ongoing negotiations for the extension of the bilateral tariff preference agreement between MERCOSUR and India, registered in the WTO just under the enabling clause, which supports the special and differential treatment for developing countries.

During his visit to Washington DC in March this year, the Brazilian President Jair Bolsonaro had approached the Trump administration with a bargain that included Brazil giving up special WTO treatment in exchange for US support to join the Organization for Economic Cooperation and Development (OECD).

What does S&DT mean?

S&DT means more time for a country to implement trade commitments, lower import tariff cuts, and more subsidies for its producers.

According to experts, for the Bolsonaro government, none of this has helped the country to increase trade with the rest of the world and that there will be no losses without the mechanism.

However, at the WTO there is still a “super polarization” on the subject.

India, China, and South Africa, in particular, insist that S&DT is an inalienable right of developing countries, without differentiating between them. And Brazil maintains that the mechanism is dynamic and has abdicated it for future trade agreements.

At the WTO General Council meeting last week, the US praised Brazil’s stance, signaling that the country was taking an advanced position in WTO reform. And in line with the organization, last Thursday’s Indian veto against Brazil for the negotiating presidency aimed at banning certain subsidies to the fishing industry, which according to experienced negotiators is linked to Brazil’s position on S&DT.

In the WTO, decisions must be by consensus. In May, New Delhi had arranged a meeting with ministers from around 20 countries in an effort to forge a front against various aspects of a WTO reform and keep the S&DT unchanged for developing nations in general.

Top officials confirmed that Brazil at the time did not sign the final statement from the Indian side, which illustrated the opposite views of the two emerging nations.

Maharashtra millers seek Centre’s nod to convert sugar to ethanol

Live Mint, Nanda Kasabe

August 2, 2019: The Maharashtra State Cooperative Sugar Factories Federation has sought permission from the Centre to convert existing sugar stocks into ethanol, an additional alternate besides “C” Heavy Molasses, “B” Heavy Molasses and juice into ethanol.

In a representation made to PM Modi, Jayprakash Dandegaonkar, chairman of the federation pointed out that the cane available for crushing in the 2018-19 season in Maharashtra was 952.11 lakh tonne.

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In a representation made to Prime Minister Narendra Modi, Jayprakash Dandegaonkar, chairman of the federation pointed out that the cane available for crushing in the 2018-19 season in Maharashtra was 952.11 lakh tonne. As a result of the central government’s decision to permit “B” Heavy

Molasses and juice to ethanol options , the molasses availability inclusive of 5.10 lakh tonne opening stock increased to 44.60 lakh tonne as against 41.25 lakh tonne i.e. a net gain of 3.25 lakh tonne.

Resultantly, Maharashtra will end up supplying 51.30 crore litre, 11.25 crore litre, 0.45 crore litre Ethanol through "C" Heavy Molasses , "B" Heavy Molasses and Juice options totalling 63 crore litre.

"However, the cane available for crushing in 2019-20 sugar season as projected by the Sugar Commissioner shall drastically reduce to 570 lakh tonne , a steep fall of about 40%. This is mainly because of reduced acreage in 2018-19 (which comes for crushing in 2019-20) severe drought conditions then leading to reduced storage water availability in dams and finally below average rainfall till the present in the ongoing monsoon leading to a consecutive drought in the second year," he said.
Huge quantity of cane is getting diverted to fodder purpose and that apart from cane productivity of the available cane for crushing is expected to steeply reduce to about 70 to 75 lakh tonne, he added.

Resultantly, the availability of molasses will be severely impacted creating huge problems in ethanol supplies during 2019-20. It is estimated that even if a compulsion is made to switch to 100% "B" Heavy Molasses and Juice Options the availability of molasses will still be limited to 34.20 lakh tonne only as against 44.60 lakh tonne last year leading to a shortfall of around 10.40 lakh tonne (23%), Dandegaonkar explained.

"However, everyone shall not resort to "B" Heavy Molasses therefore the shortfall may further increase to 16 lakh tonne (36%). After factoring diversion for cattle feed and the requirements of potable liquor, pharma and chemical industries, the availability of ethanol will get restricted to 70 crore litre, 5 crore litre totalling 75 crore litre through the "B" Heavy Molasses and Juice routes separately. In case mills opt for "C" Molasses route , the ethanol supply shall further reduce," he cautioned.

Dandegaonkar pointed out that oil companies are expecting a supply of 110 crore litre from Maharashtra to meet the E-10 mandate for states covering Maharashtra, Madhya Pradesh, Goa, Telangana, Tamil Nadu and Gujarat.

"Thus there will be a net shortage of 35-40 lakh litre of ethanol or even more. While Maharashtra shall be short of 16 lakh tonne plus molasses but overall the country and Maharashtra has huge surplus of sugar. Therefore, we can create a win-win situation by converting sugar to ethanol. Therefore, the Centre may permit an additional option of sugar to ethanol as fourth route over the three existing routes," he said.

Dandegaonkar added that the conversion to ethanol will result in utilisation of 7 lakh tonne of existing sugar stocks to achieve 42 crore litre of ethanol which means liquidation of inventory and generation of cash flows.

“The reduced pressure on export of sugar leading to saving in government financial expenditure for assistance towards payment of FRP. This will also lead to maximum utilization of distillation capacities or else in the absence of adequate molasses they may have to operate at 55 to 60% capacity,” he felt. The diversion of sugar to ethanol will improve market price sentiments both nationally and internationally and help increase sugar prices thus narrowing the gap between sales price and cost of production, he said.

Moreover, this will also resolve the problem of storage capacity visi-a-vis the next crushing season commencing November 2019. Moreover, the permission to divert sugar to ethanol will reduce the cost of storage and interest burden of the sugar industry, he said adding that the savings could be to the tune of Rs 3-5 per kg. Disputes raised by sugar producing and exporting countries such as Brazil , Guatemala, Australia at the International WTO dispute forum could be amicably settled. More importantly, the import of ethanol from US to India as reported by the US Grain Council on July 12, 2019 can be successfully curbed, he said.

Explained: Why India is indeed a ‘tariff king’

The Financial Express, Amitendu Palit

July 26, 2019: The flow of bad blood between India and the United States (US) on trade doesn’t look like ebbing. The latest in the saga is the challenge mounted by the US at the World Trade Organisation (WTO) on India’s hike in customs duties on as many as 28 US products, imposed on June 15, 2019. The US contends that by acting the way India has, it has accorded less favourable treatment to products imported from the US, as opposed to those from other WTO members. This move came on the back of the US President Donald Trump again describing India’s tariffs as “not acceptable.”

The description of India as a high-tariff economy is familiar and commonplace. However, is it correct? Whether India is a high-tariff economy or not should be judged vis-à-vis the tariffs charged by other large major emerging market developing countries, which are structurally comparable to India. Indonesia and Brazil might be the relevant examples.

According to the WTO, India’s simple average MFN (most favoured nation) applied tariff rate was 17.1% in 2018, with an average agricultural tariff of 38.8% and non-agricultural tariff of 13.6%. The comparable tariffs for Indonesia were 8.1%, 8.6% (agriculture) and 8% (non-agriculture); and for Brazil these were 13.4%, 10.1% (agriculture) and 13.9% (non-agricultural), respectively. Going by simple averages, Indian tariffs faced by other WTO members are higher than those they face in Indonesia and Brazil. The higher overall Indian tariffs are primarily a result of the high agricultural tariffs. Both Indonesia and Brazil have much lower applied agricultural tariffs than India. On the other hand, India’s average applied non-agricultural tariffs are slightly lower than Brazil’s, while being higher than Indonesia’s.

A particular feature of India's import tariffs is the high 'bound' rates. Bound rates—these are the maximum rates up to which WTO members can push up tariffs—are noticeably high for several categories for India. For fruits and vegetables, for example, India's tariffs are bound at an average of 101.1% with a maximum of 150%. Such rates for Indonesia and Brazil are 45.6% and 60%, and 34.1% and 37.1%, respectively. India's average applied tariffs for fruits and vegetables are 32.4% with a maximum applied rate of 105%. The similar rates for Indonesia and Brazil are 5.7% and 20%, and 9.7% and 35%, respectively. Therefore, India's much higher bound rates, as well as the high maximum applied rates, leave little scope other than concluding India to be a much higher tariff economy than Indonesia and Brazil in fruits and vegetables.

The other feature reinforcing impressions of India being a high-tariff economy is the 'binding overhang', i.e. the difference between the bound and applied rates. Large differences tend to create uncertainties about an economy among its partners with respect to its trade policy actions. Such uncertainties lead to strong demand for deep tariff cuts in bilateral and regional negotiations. In hypothetical India-Indonesia tariff talks, for example, India's binding overhang of 68.7% in fruits and vegetables, as opposed to 39.9% for Indonesia, would encourage the latter to demand deeper cuts. Agreeing on an equivalent slice of tariff cuts, say 20% on the bound and applied tariffs, would mean India cutting the average bound and applied tariffs on fruits and vegetables to 79% and 25%, from 101.1% and 32.4%. For Indonesia, similar cuts would mean the average bound rates dropping to 36% from 45.6% and the applied rate to 4.5% from 5.7%. Relative market access to be given up to India would be much more. Furthermore, the binding overhang would still remain much high for India, leaving the room for demand for further cuts in the future. India, though, might not be able to demand the same.

Like most other countries, the American perceptions on Indian tariffs are guided significantly by the high bound rates and the binding overhang, particularly in agricultural products, contributing to the 'tariff king' perceptions. The other factor contributing to such perceptions is to leave products outside the 'binding' coverage of the WTO. These are the products where countries wish to have the flexibility of applying tariffs higher than the bound rates they commit to at the WTO for the sector. For India, this is mostly noticeable in the manufacturing sector. In transport equipment, for example, while the WTO bound tariff rate is 40%, almost 30% of the disaggregated tariff lines for transport equipment products are outside the binding coverage. Tariffs for this excluded segment can be conspicuously high. Indeed, in India's case, the applied maximum tariff of 125% is well above the bound rate of 40% for transport equipment. The 'unbound' tariff lines are far less for Indonesia, while Brazil has bound all its imports to the rates committed to the WTO.

There is, unfortunately, little room to dispute that India is a far higher 'tariffed' economy than its counterparts such as Indonesia and Brazil. Other comparisons might lead to somewhat different conclusions, but only in magnitude. There is very little by way of analytical comparison of tariff structures that would negate the impression of India being a high-tariff economy, at least among the emerging market developing countries. The 'tariff king' label is there to stick.

India's international trade and economic engagements for domestic development imperatives

Ram Upendra Das, Financial Express

August 1, 2019: India has set a target for itself of becoming a US $ 5 Trillion economy in some years from now. Within the realm of India's domestic developmental imperatives; poverty alleviation and employment generation are of paramount importance, so is the infrastructure development. Addressing these challenges with a clear-cut strategy can help us achieve the GDP target. Let us see how.

In a closed economy, GDP is driven by consumption and investment, both of public and private sectors. In an open economy, both exports and imports contribute to GDP growth. For achieving the US $ 5 Trillion target by 2024 a growth rate of 11 to 12 percent per annum would be required. For the sake of brevity, let us focus just on domestic infrastructure development. Various estimates suggest that India needs investment in infrastructure in the range of US $ 2.5 to 5 trillion in the next 25 years. Even if we set a target of US $ 500 billion of investment in the infrastructure sector in the next five years, the investment multiplier effects would be enormous. The demand for goods and services would increase from various core sectors. These may include higher demand for steel, construction materials, architectural, designing, engineering, accountancy services, among others. Demand for workers and professionals across skill-sets would increase, leading to massive employment generation. And employment generation is the best antidote to poverty alleviation. What is more, this increased demand would engender a spate of supply-side production and manufacturing response. On the supply-side, thus augmented scale of production, would lead to further employment generation and opportunities to reap profits by producers and entrepreneurs.

Employment generation means income generation which in turn leads to demand for products from other sectors of the economy. An upward spiral of economic activities is therefore unleashed. All culminating and aggregating to GDP growth and higher levels of GDP year after year. The US $ 5 trillion of GDP can be achieved.

This is where the framework of Open Economy Macroeconomics Dynamics sets in. No country's GDP is just it's own. One country's consumption could be due to another country's investment. My country's manufacturing and profits through exports could be driven by imports of another country. A capital-rich country brings FDI into my country and reaps profits whereas my country benefits from manufacturing and employment generation. Trade in goods, trade in services and FDI are interlinked. Consumption and investment are intertwined, that too in an inter-country context. Moreover, countries could have differentiated products and services in the same sector and indulge in intra-industry trade, for instance, India can export one type of medicine and import another type which is essential and unavailable domestically.

A phenomenon such as above is observed in the developed world as also in the dynamic economies of the developing world. This is further accentuated by the evolution of Global and Regional Value Chains (GVCs and RVCs). Essentially, the future patterns of economic growth and development would be increasingly geared by tapping the dynamics of global, regional and bilateral economic interdependence. Inter-country interdependence would assume greater importance as the industrial, digital and technological revolution 4.0 unfolds.

So, what should be India’s strategy for scaling up economic growth and development. It must pro-actively complement its efforts to strengthen the domestic economy with both domestic efforts as well as by stepping up international trade and economic engagements with other countries. This would have to be done by keeping in mind the regional specificities and country-specific trade and economic complementarities. A template of what India needs and what a country or a region can offer to India in our developmental and economic growth pursuits needs to be prepared. Domestic sensitivities would have to be taken care of but also in a manner that India’s economic and trade engagements actually are made to work for the same domestic sensitivities by making sensitive sectors stronger rather than weaker.

It is with such a template India must intensify its efforts to provide economic leadership in South Asia; galvanize its ‘Act East’ policy; conclude RCEP, EU and EaEU (Eurasian Economic Union (EAEU) negotiations; negotiate a comprehensive trade agreement with the USA and Canada; engage proactively with Africa, and finalize the FTAs with Latin American countries. This is because every region is economically unique both in terms of opportunities and challenges.

Since RCEP is one of the largest economic groupings in the world; India must play a pro-active role in concluding it as it provides opportunities for infrastructure development in India and solutions for ensuing technological and industrial revolution 4.0 via greater integration across trade in goods, trade in services and investment. Special emphasis on RCEP is the call of the hour as this is one external economic engagement of India which is near-finalization. With this, India would be a step closer to realizing its aspiration of becoming a US $ 5 Trillion economy in near future!