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The Centre for WTO Studies was set up by the Department of Commerce, Government of India in 1999. The intent was to create an independent think tank with interest in trade in general and the WTO in particular. The Centre has been a part of the Indian Institute of Foreign Trade since November 2002. The Centre provides research and analytical support, and allied inputs to the Government for WTO and other trade negotiations. The Centre also has its own body of publications, and conducts outreach and capacity building programmes by organizing seminars, workshops, and subject specific meetings to disseminate its work, create awareness on recent trade topics and build consensus between stakeholders and policy makers.

Why India should expose US hypocrisy on cotton subsidies at the WTO

Sachin Kumar Sharma & Parkhi Vats

January 2, 2019: Trade and World Trade Organisation (WTO) discussions thrive on perception. Recent actions by the US seek to portray India as flouting WTO rules and distorting the global market by providing huge subsidies to cotton. Left unchallenged, the hypocrisy of the US narrative on cotton could sway WTO members, particularly the cotton-producing African countries.

So, what is the fracas on India's cotton subsidies all about? Shorn of legalese, the US has made a counter-notification at the WTO, alleging that India's subsidies to cotton have breached the limit of 10% of the value of cotton production, as stipulated in the WTO's Agreement on Agriculture.
The US contends that, during 2010-16, India's market price support to cotton was 53% to 81% of the value of the annual production. On the other hand, in its notifications, India has claimed that the market price support has rarely exceeded 1.4% of the value of production during 2010-16.
What explains the reality behind these sharply divergent statistics? The explanation lies in three variables used in calculating the domestic support for each product under the WTO's Agreement on Agriculture.

First, which currency to use in calculating the domestic support?
Second, what is the production eligible to benefit from the minimum price support?
Third, how many units of raw cotton are required for producing one unit of lint cotton?

While India has calculated the domestic support to cotton in terms of US dollars, the US insists that the calculations should be done in Indian rupee. Contrary to what the US insists, the methodology for calculating domestic support under the Agreement on Agriculture is not prescriptive. It provides a country the flexibility to choose the currency for calculating its domestic support.

The issue of "eligible production" is more complicated. India takes the volume of cotton procured at the minimum support price to be the eligible production. The US has argued that it should be the total production of cotton. The US bases its arguments on the findings in a WTO dispute involving domestic support provided by South Korea to beef. However, the US contention is negated by the reality that the findings in a WTO dispute are specific to the facts of the case under consideration. What was relevant in the South Korea beef dispute may not necessarily apply in other situations, including India's minimum support price scheme.

On the point of conversion rate, the US contends that this figure is close to 3, while India has used a conversion rate of 2.35. The US appears to have ignored some key elements such as wastage, ginning and pressing cost, etc, that go into the calculation of the conversion rate.

In addition, what about the US's own subsidies to cotton? Historically, the US has provided extremely high subsidies to its cotton farmers, who are typically rich and also constitute a powerful political lobby. For instance, in 2001, the product-specific support to the American cotton farmers was as high as 74% of the value of cotton production in that year. The high cotton subsidies not only depressed the global prices, but also devastated the economies of some African countries—such as Chad and Mali—which are overwhelmingly dependent on cotton for their overall development.
The cost of production of cotton lint is much higher in the US ($1.88 per kg in 2015-16) than in India ($0.71 per kg in 2015-16). The US exports 80% of its cotton production and tops the list of the cotton-exporting countries, while India exported only about 16% of its cotton output in 2018.

Between 1995 and 2017, the US provided subsidy to cotton farmers worth $38 billion through several programmes, with the top 10% of the recipients guzzling 82% of the total amount of subsidy. To make matters worse, the US dumped its highly-subsidised cotton in the international market, thereby crowding out millions of poor farmers of developing countries from the international market and undermining their livelihoods.
It is no surprise, then, that in 2003, the African countries were up in arms against the US cotton subsidies. Some observers contend that the Cancun Ministerial Meeting of the WTO in 2003 collapsed because the US found it politically inconvenient to even discuss this issue. However, given the economic devastation that the US subsidies had wrecked upon the African cotton producers, this issue unleashed strong emotions among many countries at the WTO.

In addition, during the Hong Kong Ministerial Meeting of the WTO held in 2005, the US was compelled to agree to cut its cotton subsidies "specifically, ambitiously and expeditiously." However, the US dug its heels in, and 13 years have passed without any significant real reduction in the US cotton subsidies.

Here it is also relevant to mention that the rules under the Agreement on Agriculture are rigged heavily in the favour of developed countries, such as the US. While the rules constrain India to limit its cotton subsidies to 10% of its value of cotton production, the US is not constrained by any such limit. The limit on the US is for its total subsidies to all agricultural products, without getting fettered by limits on subsidies to individual products. As the limit on the total agricultural subsidies is very high for the US, effectively the US can concentrate its subsidies in just a handful of products and still continue to remain within the WTO rules.

In conclusion, the US's counter-notification against India's cotton subsidies is a thinly-veiled attempt at diverting attention away from its own market-distorting practices in this sector, and shifting the blame to other countries. The Indian government, therefore, should expose the hypocrisy of the US on cotton subsidy, and must continue to demand, at the WTO, steep reduction in trade-distorting support provided to the farmers in developed countries.

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Seven key issues to determine success of US-China trade talks

Live Mint

January 6, 2019: US and Chinese officials are set to begin trade negotiations on Monday in the hope of reaching a deal during a 90-day truce between President Donald Trump and his counterpart Xi Jinping.

While the mid-level talks probably won't produce a major breakthrough, the stakes are high as both sides face a resumption of tariffs in March if they don't strike a deal. More senior-level discussions are expected later this month, with the South China Morning Post reporting that Trump may hold talks with Chinese Vice President Wang Qishan at the World Economic Forum in Davos, Switzerland.

Here are seven issues that will be key to making headway:

1. Intellectual Property

The US accusation that China forces American companies to share sensitive technology and steals intellectual property is one of the thorniest issues, and could make or break any potential deal. The 90-day negotiations will focus on "structural changes" in the way China handles technology transfers, intellectual-property protection, cyber-theft and other issues, the US said after Trump and Xi met in Argentina.

China has announced an array of punishments that could restrict companies' access to borrowing and state-funding support over intellectual-property theft, and is drafting a law to prevent forced technology transfer. But the devil will be in the details and execution.

2. Huawei and 5G

Huawei Technologies Co., China's biggest maker of telecom equipment, has long denied accusations by the U.S. and its allies of facilitating state-sponsored espionage. The company is racing to develop 5G technology and owns a tenth of essential patents worldwide. But its efforts have been frustrated by the U.S., which has banned its products for government procurement and encouraged other nations to do the same.

Beijing has also demanded Canada release Huawei's chief financial officer Meng Wanzhou, who was arrested in Canada on the behalf of the US for alleged bank fraud. The FBI is also probing possible Iranian sanctions violations by the company. Two Canadians who were seized after Meng's arrest remain detained in China.

3. Made in China 2025

Beijing's "Made in China 2025" plan aims to transform China into an advanced manufacturing leader by targeting 10 emerging sectors including robotics, clean-energy vehicles and biotechnology. The industrial ambition has raised the ire of the White House, which argues its state-led intervention violates WTO rules and could create an unfair playing field for foreign investors. Tariffs imposed by Trump took aim at many of the industries targeted in the plan.

China sees the plan as essential to achieving its long-term economic goals. Last month, people familiar said China may be willing to amend the plan, perhaps even postponing some of it by a decade, if that helps bring an end to the trade war.

4. Energy

The trade tensions have disrupted what should be a sweet deal for the two countries: The U.S. is becoming a major oil and natural gas exporter while China has emerged as the world's biggest buyer of both. While lifting China's retaliatory tariff on U.S. liquefied natural gas may revive sales, the bigger, longer-term concern for the industry is restoring enough trust to convince Chinese companies to invest the billions of dollars in future American LNG export projects. Meanwhile, any assurances from Beijing that it won't target U.S. crude would help dispel the concerns that choked off sales last year.

5. Agricultural imports

Investors will be watching to see if China removes retaliatory tariffs on U.S. farm products -- including soybeans, corn, cotton, sorghum and pork -- that severely hurt America's heartland. Lifting the tariffs could encourage private buyers to immediately resume U.S. farm-product purchases. China may also remove its anti-dumping and anti-subsidy tariffs on U.S. distiller's dried grains, which China is the largest buyer of, as well as allow imports of U.S. poultry after it gave the green light on U.S. rice purchases. If talks fail, China may also cancel some soybean orders that have been placed over the past weeks.

6. Auto tariffs

After imposing a 25 percent retaliatory tariff on vehicles imported from the U.S., China temporarily scrapped the duty starting Jan. 1 as the world's two largest economies looked for a way to cool trade tensions. The additional tax has hurt all carmakers that sell U.S.-made cars in China, including Tesla

Inc., BMW AG and Daimler AG. Auto sales in China have fallen for six consecutive months through November, and December data is due this week.

7. Market access for banks

China has pledged to increase access for foreign-owned financial firms. In November, UBS Group AG became the first entity to win control of a local securities joint venture under rules that were eased in 2018. JPMorgan Chase & Co. and Nomura Holdings Inc. are still waiting for approval to take 51 percent stakes in onshore partnerships.

Xi says the opening is steadily widening, and Bloomberg Economics estimates that -- barring a major economic slowdown or change -- foreign banks and securities companies could be raking in profits of more than $32 billion a year in China by 2030.

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Opinion| Towards economic and political tranquillity in 2019

Live Mint

Barry Eichengreen, January 14, 2019: What should happen for this to be a tranquil year economically, financially and politically? Answer: A short list of threats to stability will have to be averted.

First, the trade war between the United States and China would have to be placed on hold. In November and December, financial markets reacted positively to hint of a negotiated settlement, but was negative to each mention of renewed hostilities—and for good reason: tariffs that disrupt trade flows and supply chains do global growth no good. And, as we know, what happens in financial markets doesn’t stay in financial markets: outcomes there powerfully affect consumer confidence and business sentiment.

Second, the US economy will have to grow by at least 2%, the consensus forecast incorporated into investor expectations. If growth is significantly lower—whether because the sugar high from the December 2017 tax cuts wears off, the Federal Reserve chokes off the expansion, or for some other reason—financial markets will move sharply downward, with negative implications for confidence and stability.

Third, China will have to avoid significant intensification of its financial problems. Successfully managing a corporate-debt load of 160% of gross domestic product (GDP) requires not just selectively restructuring bad loans, but also increasing the denominator of the debt-to-GDP ratio. With infrastructure investments weak and manufacturing production declining, China is increasingly unlikely to achieve the authorities' 2019 target of at least 6% growth. In that case, slow growth and mounting debt problems will feed on one another, dragging down the economic performance in China and much of the emerging-market world.

Fourth, voters in the European Parliament election in May will have to prevent the victory of a right-wing nationalist majority hostile to European integration. Europe needs to move forward in order to avoid falling back; the existence of the euro leaves it with no choice. For now, moving forward means creating a common deposit insurance scheme for its banks, introducing at least a modest euro-area budget, and augmenting the resources of its rescue fund, the European Stability Mechanism. But if the common currency's travails during the past decade have taught us one thing, it is that such measures cannot be force-fed to the European public by the elites. Durable integration requires grassroots support. And that support must be evident at the polls.

All of these happy outcomes are of course far from assured. But if some of them materialize, they will increase the likelihood of others. For example, if US President Donald Trump ends his trade war, the growth outlook in the US and China will brighten. Robust growth there would create a more favourable external environment for Europe, brightening its own economic outlook and bolstering the electoral prospects of mainstream parties and politicians.

Conversely, a poor outcome on one front will dim the prospects of others. Disappointing growth in the US, for example, would cause Trump to seek a scapegoat. If not Fed chair Jerome Powell and his colleagues, that someone will likely be Chinese President Xi Jinping. In that case, the trade war will be back on, and growth and financial stability in China would suffer. This combination of US and Chinese economic woes would then drag down growth in other parts of the world, fanning the populist backlash against the political establishment in Europe and elsewhere.

Similarly, if the negative shock is slower growth in China, the authorities in Beijing will almost certainly respond by depreciating the renminbi. This, too, would incite further trade conflict, with negative repercussions all around.

A final prerequisite for a tranquil year is a limited outcome for US special counsel Robert Mueller's investigation into misdeeds by Russia's government and the Trump family circle. This conclusion might seem odd. If the US president's erratic personality, disruptive tweets and counterproductive policies pose such a serious threat to stability, then surely a scathing indictment by Mueller and his team, leading the House of Representatives to draft articles of impeachment, is the most direct route to removing this danger.

But if the Mueller report implicates Trump's children—Donald Trump Jr, Eric Trump, and Ivanka Trump, and her husband, Jared Kushner—or the president himself, Trump will lash out, as he does whenever he feels the need to defend himself. The likely targets include not just Mueller and the Democratic majority in the US House of Representatives, but also the Fed, China, Mexico, and the countries of Central America and Europe, as Trump lays down an economic smokescreen to cover his political misdeeds. This will roil financial markets and depress investor confidence. And, there will be no obvious end to the disruption, given the low likelihood that the Republican-controlled senate will vote to convict Trump.

Rather than pursuing impeachment, the Democrats should focus on how to beat Trump in the next presidential election. That means crafting an agenda and agreeing on a candidate. In the meantime, we can only cross our fingers and hope for the best. November 2020 is still a long way off.

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Pinelopi Koujianou Goldberg | What next for global trade?

Live Mint

January 1, 2019: The year 2018 marked the return of the import tariff. As of October, the US had imposed levies on roughly 12,000 products, accounting for 12.6% of its total imports; its main trading partners had retaliated with tariffs on 2,087 products, accounting for 6.2% of US exports. With trade tensions mounting, many observers have warned of a full-scale trade war, or even the collapse of the global trading system.

Of course, this is not the first time in recent history that the US has tried using trade policy to advance its interests. In 1971, the Nixon administration famously imposed a 10% tariff on all imports in an attempt to halt the growth of the US current-account deficit. More recently, the Reagan administration erected non-tariff barriers against a number of import goods, particularly from Japan.

Nonetheless, there are some key differences between these episodes and the latest wave of tariff increases. For starters, the timing is surprising. Until 2018, globalization seemed like an unstoppable and irreversible force. International trade was considered to be completely liberalized, and any talk of trade policy was met with yawns in academic and policy circles alike. Stranger still, the rise of protectionism has come at a time when US unemployment is at a 50-year low, the stock market is up, and GDP growthis projected to be around 3% for the year.

The opening salvo of tariff increases— on washing machines and solar panels— seemed to be geared toward protecting specific domestic industries that had been hurt by import competition. These were soon accompanied by sweeping tariffs of 25% on steel and 10% on aluminium, as well as the renegotiation of the North American Free Trade Agreement (NAFTA). The latest wave has singled out China, presumably to address long-standing concerns about that country’s treatment of intellectual property, restriction of market access, and subsidies for state-owned enterprises. As for America’s trading partners, each has responded in a way designed to inflict political damage on congressional Republicans.

The recent US trade policy thus seems to be motivated by two key priorities: To protect US jobs in import-competing sectors, and to address frustrations with the current trading system that the World Trade Organization (WTO) has failed to resolve. It is this second motivation that makes the current bout of protectionism different—and potentially more dangerous—than other recent episodes.

After all, using trade policy to protect domestic jobs is not new, though it has fallen out of favour over time. Most policymakers now accept that a social safety net and domestic policies such as retraining or relocation subsidies are more effective responses to the displacement of workers in open, constantly evolving economies. The fact that NAFTA survived the renegotiation process with only minor modifications is a case in point.

The real issue, then, is the current trading system and its various shortcomings. In fact, the claim that trade has been completely liberalized in advanced economies is tenable only if one focuses solely on tariffs and ignores "behind the border" measures, which are substantially harder to measure, let alone address. These include regulatory restrictions that hinder cross-border investment; subsidies to domestic industries; licensing requirements that inhibit trade in services; privacy requirements that restrict e-commerce; restrictions on foreign ownership that interfere with inward direct investment; and stringent joint-venture requirements that often entail handing over intellectual property.

If there is one area of wide agreement across countries and political parties, it is that cross-border transactions and regulation leave a lot to be desired.

In principle, these issues should have been addressed through multilateral negotiations at the WTO. In practice, they have been dealt with in an ad hoc fashion, through a slow, overly bureaucratic process that has failed to get to the root of the problem.

The medium- and long-term effects of today's trade disputes remain to be seen. Simulations based on computational general equilibrium models predict that the current tariff increases will have a small impact on the US and a slightly larger impact on China. In the case of a "full-scale" trade war—meaning 25% tariffs on all Chinese imports to the US, and vice versa—the effects would be slightly larger, but by no means catastrophic.

The greater danger is that today's policy shifts will continue to create uncertainty, thus reducing investment. Scholars have repeatedly shown that overall investment is highly sensitive to changes in perception regarding the economic environment.

For example, studies have found that investment in a given locality can even be affected by the victory or loss of a local sports team. Now consider the current situation, in which there is growing uncertainty about the future of the rules-based trading system and global value chains. Needless to say, the effect on investment could be chilling indeed.

Moreover, while large economies like the US and China will survive the current contretemps—albeit with bruises— smaller emerging economies have much more to lose. For many of these smaller economies, trade has been the ticket out of poverty. By adhering to the common rules of the WTO, they managed to keep domestic lobbies and special interests at bay and develop economically. Were the multilateral trading system to collapse, protectionist interests around the world would suddenly have little standing in their way.

An optimistic view of the current situation is that it will bring countries to the negotiating table, eventually leading to a more effective multilateral system. Such a system might include a reformed WTO; trade liberalization in services and e-commerce; agreements limiting subsidies and protecting intellectual property; and deeper cross-border regulatory coordination.

An optimist cannot help but draw parallels to the 1980s, when the global trading system was challenged by rising tensions between the US and Japan. Rather than collapsing, the trading system emerged from those disputes stronger than before, setting the stage for the hyper-globalization of the last three decades. Perhaps a similar future for international trade lies ahead.

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Opinion | In a volatile world, trade talks are the best bet

Live Mint

January 15, 2019: China's exports in December caught a winter chill, falling 4.4% on an annualized basis, while imports dropped 7.6%—the worst readings since 2016. This indicates further weakness in the world's second-largest economy and falling global demand. This was worse than what many analysts had estimated, and comes against the backdrop of a trade war with the world's largest economy. It signals that pain is already being felt in China after the US imposed levies on hundreds of billions worth of goods last year. The fact that the numbers released on Monday also showed that China recorded a record trade surplus with the US will only goad US President Donald Trump to intensify his trade war with China, given the unrelenting focus on this particular metric. It also mounts pressure on China to try and wangle a trade deal or at least a suspension of tariffs. "A trade recession is likely, in our view," Raymond Yeung, chief economist at ANZ, said in a note, Reuters reported, predicting a period of export contraction similar to 2015-16. "The global electronics cycle remains the key driver of Chinese exports. A potential downturn in the sector poses the real risk to China's external outlook even if China and the US reach a resolution on their trade dispute."

The global economy may face more headwinds in the coming months. According to the Organization for Economic Cooperation and Development, growth is cooling in the world's major economies, particularly in Germany and now China, suggesting that momentum this year could be even slower than what has been predicted. The pessimism is justified by macro numbers coming out from the European Union, Japan and South Korea, among others. There are other uncertainties too, for instance, what shape Brexit will finally take and its fallout on other economies. Then there's the government shutdown in the US, already marking the longest ever on record, which is wreaking havoc on local household budgets and economies. Add to that the worries over earnings by some of the country's biggest banks and technology companies, and on the course the US Federal Reserve would take. India, too, is in the mix, weighed down by the weakest industrial production numbers in 17 months and disappointing corporate earnings. Monday's inflation numbers also point to weaker economic growth. And the markets were quick to react, with most indices across Asia heading lower, showing up the fragility in investor sentiment.

Clearly, this is no time for playing economic chicken. It is widely expected that the mandarins in Beijing will propose more measures to support the country's economy if things don't improve. That may prove to be a minor salve for the country. What needs to be done, though, is to stay the course on discourse. There was cautious optimism last week after mid-level talks between officials from Washington and Beijing. It works both ways—as the world's largest exporter, China, obviously depends on overseas demand. On the other hand, its domestic demand also feeds exporters in other countries. In the larger interest of the world, then, a measure of stability is in order.

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The world's biggest economies are moving deeper into a slowdown

William Horobin, Bloomberg, Live Mint

Paris, January 14, 2019: Momentum is easing across the world's major economies, according to a gauge the OECD uses to predict turning points. The Composite Leading Indicator is the latest sign of a synchronized slowdown in global growth, adding to recession warnings sparked by industrial figures in Germany last week and slumping trade figures for China earlier on Monday.

The indicator, which is designed to anticipate turning points six-to-nine months ahead, has been ticking down since the start of 2018 and fell again in November. The OECD singled out the US and Germany, where it said "tentative signs" of easing momentum are now confirmed.

Just two weeks into 2019, the OECD economic indicator follows a run of numbers that mean growth this year could be even slower than currently anticipated. For *Bloomberg Economics*, the data point to "slowdown, not meltdown," but it still says the loss of momentum is "striking."

China

Trade-tensions with the US are showing up in data. Chinese exportsslumped 4.4% in December from a year earlier, marking the worst performance in dollar terms since 2016. Imports also dropped the most since 2016, hinting at softening demand at home that could have implications for exporters to China.

The numbers sent stocks lower in Europe and Asia. The Stoxx 600 Index was down almost 1% as of 12 pm Frankfurt time.

Euro Area

Industry in the region's major economies had a grim month in November. Output declined 1.7%, with a slump in Germany sparking talk that it could shrink for a second quarter, putting it in a technical recession. There are also concerns about Italy's economy, while riots and protests in France have hit growth there.

US

Jobs growth remains strong, according to the latest payrolls report, but measures of activity have weakened. The Institute for Supply Management's key manufacturing gauge is at a two-year low, and the housing market is cooling. Overall expansion is forecast to moderate this year, partly due to a fading boost from the Trump administration's tax cuts.

Federal Reserve policy makers have taken note of the changed outlook and suggested they could pause their interest-rate hike cycle as they await clarity. Chairman Jerome Powell said last week that the Fed can be "patient and flexible and wait and see what does evolve."

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Trade war's wounded: Companies improvise to dodge cost hikes

Live Mint

Washington, January 14, 2019: In Rochester, New York, a maker of furnaces for semiconductor and solar companies is moving its research and development to China to dodge President Donald Trump's import taxes — a move that threatens a handful of its 26 US jobs.

In California's San Joaquin Valley, the CEO of a company that makes precision parts for the biomedical and chip making fields jokes bitterly that he's running "a nonprofit" and might have to cut jobs.

And east of Detroit, a metal stamping company that supplies the auto industry is losing business to foreign rivals because Trump's steel tariffs have raised metals prices in the United States.

Trump frequently boasts that the taxes he's imposed on imports — steel and aluminum and nearly half of all goods from China — have showered the US Treasury with newfound revenue. "We are right now taking in $billions in Tariffs," he tweeted last month. "MAKE AMERICA RICH AGAIN."

Yet tariffs like Trump's account for barely 1 percent of federal revenue. It's actually companies like Linton Crystal Technologies in Rochester, Accu-Swiss Inc. in Oakdale, California, and Clips & Clamps Industries in Plymouth, Michigan, that are paying the price for his trade wars.

Tariffs tend to swell the cost of these companies' materials and leave them at a competitive disadvantage to foreign rivals unburdened by import taxes. And their exports can be taxed when other countries retaliate with their own tariffs.

"Wars are messy," said Todd Barnum, chief operating officer at Linton Crystal Technologies. "All the troops get hurt."

Back in December 2017, Trump gave those companies and others a gift when he signed a measure that slashed the corporate tax rate from 35 percent to 21 percent. The next month, though, he started slapping tariffs on imports — beginning with solar panels and dishwashers, before moving on to steel and aluminum and then hitting $250 billion in Chinese goods.

"Thank you for the tax cut," said Jeff Aznavorian, president of Clips & Clamps. "However, I'm not going to be benefiting because I'm not going to have any profits to pay tax on." For his company, "tariffs have completely undermined everything good that those tax cuts brought."

The higher costs resulting from Trump's tariffs have yet to inflict much overall damage to a still-robust American economy, which is less reliant on international trade than most other countries are. Fueled by lower taxes, the economy grew at an impressive 3.4 percent annual rate from July through September after having surged 4.2 percent in the previous quarter. And employers added 2.6 million jobs last year, the most since 2015.

And while numerous companies are hurting from the president's confrontational trade stance, some are benefiting from it. An aluminum smelter in Missouri reopened under new ownership this year, for instance, and credited the aluminum tariffs for reducing foreign competition and bringing 450 jobs to New Madrid County.

But for many businesses, the tariffs are escalating costs, creating hardships and magnifying uncertainty. The Institute for Supply Management's manufacturing index plunged last month to its lowest point in more than two years partly because of the tariffs. And the Federal Reserve appears increasingly worried that damage from the trade war will undercut the economy.

The potential costs of Trump's tariff campaign become clear early this month when Apple warned that trade hostilities with Beijing were hurting its business in China — a key reason why its first-quarter revenue would fall below expectations.

"It's not going to be just Apple," Kevin Hassett, chairman of the White Council of Economic Advisers, acknowledged to CNN. Companies with significant sales in China will "be watching their earnings downgraded next year until we get a deal with China."

Trump's tariffs are, in theory, supposed to help US producers by raising the prices of goods their foreign competitors ship from abroad. But tariffs, a tax paid by importers, can backfire. They tend to hurt American companies that buy foreign goods for resale or for use as components in US-made products.

Many US importers face a wrenching choice: They can pass their higher costs on to their customers and risk losing business. Or they can absorb the extra costs themselves and sacrifice profits.

And tariffs, of course, invite retaliation. The European Union, Canada, Mexico and others have retaliated against US products as payback for Trump's steel and aluminum tariffs. China has imposed tariffs on $110 billion in American goods.

Among the products on Beijing's hit list are American soybeans, an important export among Trump supporters in the US heartland. To ease the pain, the administration last year handed farmers relief worth $11 billion — money that reduces the trade war's contribution to the Treasury. Peter Meyer, head of grain and oilseed analytics at S&P Global Platts, said the payments allowed soybean farmers to recoup their losses from the trade war.

But the damage could prove longer-lasting. Before the trade hostilities erupted, China bought 60 percent of US soybean exports. Now, it's turning to Brazil and other countries for soybeans.

"It takes you months to years to cultivate a client and only weeks to piss them off," Meyer said. "The concern now is that we've pissed of the Chinese and they're going to go away."

Linton Crystal Technologies is being walloped by tariffs both coming and going. The components it sends to an assembly plant in Dalian, China, are subject to import taxes when they arrive in China. And the assembled furnaces it ships back to Rochester for sale are hit with Trump's tariffs at the US border.

The US import tax on a $2 million furnace amounts to $500,000. So, in desperation, the company has decided to move operations to China to avoid the tariffs. And it plans to lay off four or five American workers.

“It just doesn’t make any sense for me to ship it back here so I can be penalized half a million dollars,” Barnum said.

In the meantime, the higher costs are hurting Linton’s business. It expects revenue to drop 25 percent in 2019.

Accu-Swiss, which buys imported stainless steel on the tariff list, is negotiating with customers to split the higher costs. It’s also trying to make its operations leaner. It has, for example, reengineered its California factory so production can continue at night when the lights are off and employees are gone. Still, it, too, expects a 25 percent drop in revenue this year.

“I’m just hoping against hope that this thing will go away,” said CEO Sohel Sareshwala. “I’m just sustaining myself, almost becoming a nonprofit organization.”

Clips & Clamps, the Michigan auto supplier, buys steel from US producers that don’t have to pay the tariffs. But domestic steel suppliers have been able to sharply raise their prices because Trump’s tariffs have priced out foreign competition.

“I am losing business to competitors outside the United States,” Aznavorian said, “and I am losing it due to raw materials pricing.”

Initially, Sareshwala and Aznavorian say, they assumed that Trump’s metals tariffs were just a negotiating tactic, intended in part to pressure Canada and Mexico to embrace a new North American trade pact. But the tariffs remained intact even after Trump signed a revamped regional agreement in November.

“My jaw dropped,” Aznavorian said. “I thought, ‘You’ve got to be kidding me.’ “

Now, he can’t tell whether the tariff squeeze is ever going to end. “The uncertainty is horrible,” he said.

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US official says China trade talks 'went just fine'

Beijing, The Times of India

January 9, 2019: The United States and China concluded on Wednesday three days of extended talks to resolve their trade war, with a member of the American delegation saying negotiations "went just fine".

The US officials arrived in Beijing on Monday for the first sit-down talks since President Donald Trump and Chinese leader Xi Jinping agreed on December 1 to a three-month truce on a tit-for-tat trade spat.

Asian markets rose on increasing optimism that the two sides would be able to hammer out a deal ahead of a March deadline and avert further import tariff hikes.

A member of the US delegation, under secretary for trade and foreign agricultural affairs Ted McKinney, told reporters that the team would return to the United States later on Wednesday.

"I think they went just fine," McKinney said of the talks as he left the hotel with his luggage, adding the trip "has been a good one for us".

Trump boasted on Twitter on Tuesday that discussions in China were "going very well!"

China's foreign ministry confirmed the negotiations had ended in Beijing but declined to comment on the outcome, saying details would be released later.

"If it's a good outcome, it doesn't just benefit the US and China, but it is also good news for the world economy," said foreign ministry spokesman Lu Kang.

The US delegation, led by deputy trade representative Jeffrey Gerrish, had been scheduled to end its visit on Tuesday.

"The extension of the talks indicate that both sides take this very seriously," Lu said.

Washington has been clamouring for an end to the alleged forced transfer -- and even theft -- of American technology, as well as steep government subsidies for Chinese companies.

The Trump administration also wants Beijing to buy more American goods to narrow a yawning trade gap and allow foreign players better access to the Chinese market.

US commerce secretary Wilbur Ross signalled in a TV interview on Monday that there was a "very good chance" of reaching an agreement.

China's economy was more vulnerable to the fallout from the trade war, he said, noting that Beijing exports more goods to the United States than the other way around.

"I think a deal is very possible and I've heard some very encouraging words," Apple chief executive Tim Cook told a TV channel.

"I don't speak for them obviously," Cook said in reference to the Trump administration. "I do talk with them and I give them my ideas and thoughts."

The US smartphone maker has felt the pinch of the bruising trade spat, and warned that 2018 revenues would miss its forecast -- in large part due to a slump in iPhone sales in China.

The temporary trade-war ceasefire came after the two sides imposed import duties on more than $300 billion of each other's goods.

Without a resolution, punitive US duty rates on $200 billion in Chinese goods are due to rise to 25 per cent from 10 per cent on March 2.

The current trade round coincided with an unannounced visit from North Korean leader Kim Jong Un, who arrived in Beijing on Tuesday for talks with Xi in Beijing ahead of a possible second meeting between Kim and Trump.

China -- Pyongyang's sole diplomatic ally and main source of trade -- said it would not use Kim's visit as a bargaining chip in the US trade talks.

Kim's train left Beijing on Wednesday around the same time the US trade negotiators headed for the airport.

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China’s unconventional war is inflicting greater damage on India

Brahma Chellaney, The Times of India

January 5, 2019: China is emphasising public diplomacy to help soften Indian public opinion and mute Indian concerns over an increasingly asymmetrical trade relationship. Foreign Minister Wang Yi said in New Delhi the new people-to-people mechanism will “help consolidate the public-opinion foundation” for bilateral ties. China’s public diplomacy aims to underpin its “win-win” policy toward India — engagement with containment.

New Delhi, however inadvertently, is lending a helping hand to Beijing’s strategy of engagement as a façade for containment. India has done little more than implore China to rein in its spiralling trade surplus. The lopsided trade relationship makes India essentially a colonial-style raw-material appendage of the state-led Chinese economy, which increasingly dumps manufactured goods there.

Worse still, New Delhi effectively is funding China’s India containment strategy. India’s defence budget for the current financial year, at Rs 2,95,512 crore ($42.2 billion), is 65% less than China’s estimated trade surplus of $65.1 billion in the calendar year 2018. This means India practically is underwriting Beijing’s hostile actions against it — from its military build-up in Tibet and growing Indian Ocean encroachments to the China-Pakistan Economic Corridor (CPEC).

Pakistan recently revealed to the International Monetary Fund (IMF) that China’s CPEC investments will total $26.5 billion. From just one year’s trade surplus with India, Beijing can fully fund two CPEC-type multi-year projects and still have billions of dollars for other activities to contain India.

In the list of countries with which China has the highest trade surpluses, India now ranks No. 2 behind the US. China’s surplus with the US, of course, is massive. But as a percentage of total bilateral trade, India’s trade deficit with China is greater than America’s. And in terms of what it exports to and imports from China, India is little different from any African economy.

Consider another troubling fact: Total Chinese foreign direct investment in India remains insignificant. Cumulatively aggregating to $1.9 billion, it is just a fraction of China’s yearly trade surplus. India’s 2015 removal of China as a “country of concern”, instead of encouraging major Chinese FDI flow, has only spurred greater dumping.

Consequently, China’s trade surplus has spiralled from less than $2.5 billion a month when Narendra Modi took office to over $5 billion a month since more than a year. China’s trade malfeasance is undermining Indian manufacturing and competitiveness, with the result that Modi’s “Make in India” initiative has yet to seriously take off. Many firms in India have turned from manufacturers to traders by marketing low-end products from China — from tube lights to fans — under their brand names. Is it thus any surprise that manufacturing’s share of India’s GDP has actually contracted? Instead of “Make in India”, “Made in China” has gained a stronger foothold in India.

India's China problem will only exacerbate when the planned 16-nation Regional Comprehensive Economic Partnership (RCEP) accord takes effect, thereby creating a free-trade zone between the world's two most-populous countries. Unlike the other states negotiating RCEP, India is not an export-driven economy; rather it is an import-dependent economy whose growth is largely driven by domestic consumption.

RCEP's main impact on India will come from China, which Harvard's Graham Allison has called "the most protectionist, mercantilist and predatory major economy in the world". China, while exploiting India's rule of law for dumping, keeps whole sectors of its economy off-limits to Indian businesses. It has dragged its feet on dismantling regulatory barriers to the import of Indian agricultural and pharmaceutical products and IT services.

External Affairs Minister Sushma Swaraj rightly reminded Wang that "a solution to the continuously increasing trade deficit" is a must. Seeking to rebalance trade is not a dollar-for-dollar matter. Rather, it is about ensuring fair trade and fair competition. China rose through fair access to world markets that it now denies India. Indeed, Beijing is abusing trade rules to pursue unfair trade and undercut India's manufacturing base.

What stops India from taking a leaf out of US President Donald Trump's playbook and giving China a taste of its own bad medicine? WTO rules permit punitive tariffs on foreign subsidised goods that harm domestic industries. India can also emulate Beijing's non-tariff barriers and other market restrictions.

India focuses on Pakistan's unconventional war by terror but forgets that China is also waging an unconventional war, though by economic means. Indeed, China's economic war is inflicting greater damage, including by killing Indian manufacturing and fostering rising joblessness among the Indian youth.

Just as the British — as American historian Will Durant noted — financed their colonisation of India with Indian wealth, the Chinese are financing their encirclement of India with the profits from their predatory trade with it.

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Government working on bilateral trade pacts to push exports, says Suresh Prabhu

Financial Express

January 13, 2019: Given the rising challenge to the free trade, Commerce and Industry Minister Suresh Prabhu said Sunday that while the aim is to open up more for free trade and make WTO more efficient, the government is also keen to work on bilateral trade with more nations.

“One of the big challenges before the world is protectionism. We as a country are supporting open trade with all the countries….but we also want to develop bilateral trade agreements with many countries. For each of the geographies we are keen to have free trade agreements with the countries in Latin America, Africa, Southeast Asia,” he said, adding that New Delhi already has trade pacts with ASEAN and some other countries.

Addressing a CII event, he also said there has been an ongoing discussion with Sri Lanka for a Comprehensive Economic Partnership Agreement (CEPA). For countries in Africa like Angola, he said such association can be in the form of technical assistance, financial assistance and a trade agreement which will not initially have any ambitious targets but will be a win-win for both the parties.

Prabhu, who is also the Civil Aviation Minister, said the United Arab Emirates and Saudi Arabia have decided to use India as a base for their food security. “This is happening at an interesting time because we just had made a policy for agriculture exports which has identified food items that can be exported,” he said.

He informed that this year the country would be producing 290 million tonnes of farm produce as per advance estimates, and 305-310 million tonnes of horticultural items.

“In the export policy, we have decided to remove all restrictions on organic products and processed products. Both the UAE and Saudi want to invest in both organic as well as food processing industries. This will be a win-win situation for the UAE, Saudi, and other GCC countries but also for us, particularly for our farmers, who want better prices to their produce,” he said.

Saudi Arabia has said it can make investment in logistics, food parks and make sector-specific investment in food processing, Prabhu said.

The farm export policy will go a long way in reducing wastage, the minister said. On the Udan policy, he said the government will announce its phase III in the next few days, which will also focus on air cargo. On

January 15, the government will be announcing the first air cargo policy, Prabhu added. The UAE and Saudi Arabia are keen to invest in all these infrastructure initiatives, he said.

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When India, China grow together, rise of Asia is 'unstoppable': Nepal

Indian Express

New Delhi, January 10, 2019: Nepal on Thursday said when India and China rise together, the rise of Asia is "unstoppable" and hoped for harmonious ties between its two "big neighbours".

Nepal's Foreign Minister Pradeep Kumar Gyawali, in his address at the Raisina Dialogue here, also pitched for strengthening of the South Asian Association for Regional Cooperation (SAARC), Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) and the implementation of the agenda of Bangladesh, Bhutan, India, Nepal (BBIN) sub-regional cooperation.

India and Nepal can work together towards common progress and prosperity, better physical connectivity and greater people-to-people connection, Gyawali said.

The Nepalese foreign minister also pitched for harmonious relations between China and India.

"Next door, we have always emphasised the good and harmonious relations between our two big neighbours (China and India). When these two rise together, the rise of Asia becomes unstoppable," Gyawali said.

"We were encouraged in this context by the positive vibe that last year's Wuhan summit (between Prime Minister Modi and Chinese President Xi Jinping) created. We are of the view that one country’s rise should not be seen as a threat to the other. It could be an opportunity to rise together,” he said.

On the sidelines of the dialogue, the Nepalese foreign minister met her Indian counterpart Sushma Swaraj and reviewed recent developments in bilateral ties across diverse sectors, including development projects and connectivity, according to the Ministry of External Affairs.

They also reviewed the progress achieved on the three transformative initiatives launched in 2018 in the areas of agriculture, railways and inland waterways as well as pace of implementation of ongoing bilateral development and connectivity projects.

Swaraj and Gyawali expressed satisfaction at the significant progress made in different sectors of cooperation as a result of intensified bilateral exchanges at all levels in recent months, the MEA said.

They reiterated their commitment to maintain the new momentum and to further strengthen the traditionally close and friendly ties between the two countries.

Gyawali also extended an invitation to Swaraj to visit Nepal to co-chair the next meeting of the Joint Commission.

The two ministers decided to hold the next meeting at an early date.

In his address at the Dialogue, Gyawali said amity with all and animosity with none is the basis of Nepal’s foreign policy.

A country like Nepal has been a firm advocate of a rule-based, predictable international order, he said.

“We are a believer of multilateralism where we can get our voices heard, problems and challenges recognised and support be extended.

“Rules-based order is essential for our survival. We have always been the supporter of multilateral institutions like the UN. What we have wanted though is its reform to reflect the current reality,” he said.

Nepal has always supported rules-based trading arrangements under WTO, Gyawali said, adding that Kathmandu want preferential treatment for least developed countries.

India and Nepal relations have been comprehensive and the two countries are connected by geography, history, religion and cultures, he said.

"While the world is becoming more interdependent, the challenges ahead require to be addressed with more collective efforts, these include challenges posed by the tendencies to weaken multilateralism and collaboration," the Nepalese foreign minister said.

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New industrial policy to focus on global supply-chain linkages: Suresh Prabhu

The Economic Times

January 12, 2019**:** The government is coming out with a new industrial policy that will link the country with the global supply-chain that will be mutually beneficial, commerce and industry minister Suresh Prabhu said here on Saturday.

Prabhu, who also handles the aviation ministry said, businesses can only grow when there are partnerships among several other geographies.

Comments come amidst continuous fall in merchandise exports from the country and the growing threats to global trade and even questions being raised about the existence of the global trade body WTO after the US administration under Donald Trump has opened a slew of anti-trade practices against most of its trading partners, including us.

The trade war between the US, the world's largest consumer, and the world's largest producer China has cast a pall of gloom over global economic growth.

"Manufacturing cannot happen end-to-end only in one geography; it has to be part of a global value-chain, global supply-chain. And that is why we are discussing and finalised from my ministry side, a new industrial policy that's awaiting Cabinet approval, which focuses developing mutually beneficial value chain and supply-chain," Prabhu said while addressing a event organised by industry lobby CII.

It is especially important when we are working towards a USD 10-trillion economy by 2035, when we see great opportunities for all countries to participate. Because no country can grow in isolation, he added.

"So if we were to have a USD 1-trillion manufacturing GDP, a good part of that could be sourced and worked with so many other countries," he said.

In the services sector, which is the key export segment for the nation worth over billions of dollars, Prabhu said 12 sectors have been identified.

On agriculture, he said, government has already come out with an agriculture export policy, which has helped the farm economy fare better. "We have already worked out on plans which are mutually beneficial where we produce under the quality control regime of the importing countries."

Further, the minister said, the government has prepared a plan that each district will grow by 3-4 percent more than the normal growth to help the overall economy clock double-digits growth.

"Our strategy is grass-roots development, from grass- roots to global, manufacturing to services, farming to value added and from FDI to investment by India in other countries, is the objective of our trade policy," he said.

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Farmers need their dues, not doles from the treasury

Shyam Ashtekar, The Times of India

January 14, 2018: That farm loan waivers are politically essential for 2019, but are neither sufficient nor curative for the current agrarian distress is a no brainer. The legendary farmer leader, Sharad Joshi, argued that farmers are no economic offenders and hence mafi (pardon) is an unethical coinage. He argued for Karjamukti (freedom from indebtedness) because the Indian State with its devious laws has inflicted chronic bankruptcy, suicides and forced migration on the farmer. Hence farmers have huge dues from the government. This really makes a case for return of ill-gotten wealth to farmers.

The five major Nehruvian socialist instruments of farmer exploitation include: (a) The land ceiling acts forcing farmers to part with long-acquired assets without compensation; (b) The draconian Essential Commodities Act depressing farm produce prices and breeding systemic corruption; (c) The APMC monopoly creating an anti-farmer nexus of political thugs, traders, agents and head loaders; (d) The Foreign Trade Regulation Act manipulating exports and imports to depress domestic farm prices at will; and (e) the Land Acquisition Act. There are more laws on beef ban and on wild animals' protection causing untold loss and suffering for countless farmers.

The shield to anti-farmer laws afforded by the Schedule IX is an illiberal legacy of the Constitution makers, including Jawaharlal Nehru and BR Ambedkar, eroding farmers' assets, unleashing systemically biased markets and unremunerative prices, preventing exit from farm and also entry of non-farmers to farming and, hence, any serious investment. The resulting loss to farmers, as the Government of India officially told the World Trade Organization in 1992, was a huge 72% vis-à-vis border prices — a Jizia on farmers. The aggregate negative subsidy (about 6-7% now) continues till this date. The 1991 reforms also bypassed farmers. Narendra Modi and the Rashtriya Swayamsevak Sangh (RSS) evaded these basic reforms and flip flopped on empty slogans like the 50% profit minimum support prices (MSPs), doubling of incomes and crop insurance. Demonetisation has also hurt farm incomes. The ban on the GM technology — supported by the National Democratic Alliance government— has deepened the Manmohan Singh-Jayram Ramesh-imposed damage. The question now is: Are the BJP, Congress, socialist ragtag parties, including the green/ swadeshi brigades, willing to undo this cause of farmer distress beyond waivers? All of them did and are contributing to this exploitation under various pretexts including high food prices.

And there are complex issues within waivers. Often farm loan waivers help only some farmers (usually under Rs 1-2 lakh loan limit) and for barely a year or two. Besides, private lending continues to sap farmers. Farmers beyond a holding size and term loans are excluded. In fact, the bigger the farm size and investment, the bigger is the loss. The one time settlement (OTS) for bigger than exemptible loans is also flawed since these farmers cannot raise money for settlement. The farm credit system actually calls for a forensic audit since many banks — especially cooperative banks — impose penalties and interests flouting Reserve Bank of India rules. Farmers need credit like any business but cannot pay back as farming is unremunerative. There are also the unpaid power bills. It is not a paradox that Shetkari Sanghatana is against any freebies and we hold that free power means poor quality and irregular supply, which is most detrimental to farmers. That free power gives a cover for leakages and corruption is another matter. The poor quality power to farms is actually a leftover surplus at night (otherwise a waste if not used), hence deserves no payment at all.

Most economists lose no time to state that the farm loan waivers are detrimental to the credit system; but they hardly denounce governments targeting food prices as anti-inflationary measures or hefty hikes by needless pay commissions. The RBI also hardly ever audits farm loans of any bank or imposes penalties against erring bankers. So are they, like political parties, in collusion with the anti-farmer State?

The Shetkari Sanghatana — not a boat club gathering of 134 groups demanding loan waivers — has argued for a paradigm shift from loan waivers to real Karjamukti, because the socialist State has intentionally and systematically caused farm bankruptcy. The landlocked farmer is not a free citizen of India. The five draconian laws and schedule IX must be tossed into the dustbin of socialist history. Free the land markets and align farm produce trade with WTO framework, and replace food procurement and public distribution with direct cash transfers for the poor. We call for infrastructure investment from public and private sources. Farmers should enjoy access to any technology, including GM, in markets. Any waiver must be embedded in liberal reforms of agrarian political economy. The farmer must be free to pursue or to quit farming like a free citizen. Above all, farmers should get their due from the economy rather than as doles from treasury. This is all what Joshi asked for — a Marshall Plan for farmers.

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