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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.

India, China important engines of regional and global economic growth, says IMF

The Indian Express

Washigton, March 11, 2018 : India and China have been important engines of regional and global economic growth, a top official of International Monetary Fund (IMF) said on Sunday, noting that a strong economic partnership between the two Asian giants would be beneficial. “For the past several years, India and China have been important engines of regional and global economic growth. In 2017, India and China were responsible for almost half of global growth,” Tao Zhang, IMF Deputy Managing Director, said.

The IMF, he said, strongly believes that the world benefits if individual countries implement sound stability-oriented macroeconomic policies and reduce barriers to trade and investment. “A strong economic partnership between India and China would be beneficial, and their collaboration is welcome. The BRICS and G20 summits are good examples,” Zhang said when asked about the impact these two economies collectively have on the global economy.

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India, China exports most at risk from currency strength in Asia

Financial Express

New Delhi, March 13, 2018 : Exports from India and China are the most likely to be harmed by currency strength — or boosted by weakness — among Asian economies, underscoring the two giant's sensitivity to the swings of foreign exchange markets.

An analysis by Bloomberg Economics' Tamara Henderson shows the historical link between exports and exchange rates was the highest in India in the decade through 2017, followed by China, Malaysia and Japan. Singapore was a notable outlier — exports actually do better when its currency firms up.

For a region that's heavily dependent on exports, the relationship to currency performance explains why Asia's policy makers stepped up action last year as the US dollar weakened. With global trade risks rising this year as the US plans tariffs on a range of products, the pressure to protect the competitiveness of export industries is set to build.

"Policy makers will likely prefer to keep their currencies competitive relative to trade rivals," said Henderson, an economist based in Singapore. "This would be consistent with 'smoothing' operations in the face of currency strength, evident in the buildup of reserves. Asia's export outlook for 2018 has also dimmed with the Trump administration now acting on its protectionist threats."

Authorities in Thailand and South Korea have already voiced concern over the strength of their currencies. In countries like Malaysia, Thailand and Singapore, exports make up more than half of gross domestic product.

Exports from India had the strongest tie to currency performance in Asia in the past decade, suggesting the rupee's gains tend to detract from the performance of merchandise exports while currency losses increased their appeal.

China, Japan and Malaysia also had relatively strong negative correlations, near -0.6. The average for Asia was -0.4 in the past decade. Singapore's shipments, about half of which are re-exports, were more resilient to currency gains, Henderson said.

The following chart shows how Asia's currencies have been faring. It shows the unadjusted weighted average rate at which one country's currency exchanges for a basket of currencies of trading partners and is an indicator of a country's international competitiveness.

Malaysia's ringgit has gained the most in Asia in the year through January, according to data from the Bank of International Settlements. The Philippine peso and Indonesia's rupiah were the biggest losers.

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US pursues India at WTO, widening trade offensive's Asia focus

Live Mint

Washington, March 15, 2018 : The United States said Wednesday it was taking action at the World Trade Organization against Indian export subsidies as Washington's intensifying trade offensive moved to encompass two of Asia's largest economies.

The action opened a new front in President Donald Trump's confrontations with major trading partners and followed his punishing new import tariffs, with officials warning that more may come soon.

Documents seen by *AFP* on Wednesday also revealed the United States has proposed WTO reforms that would punish members for violating basic rules, a move that appeared aimed squarely at China—a country the Trump administration has said is not a market economy and does not deserve membership in the multilateral organization.

The White House is also considering slapping tariffs on billions of dollars in Chinese imports, particularly in the tech and telecommunications sector, in response to allegedly improper practices involving American intellectual property.

In advance of the announcement on Indian exports, Trump tweeted early Wednesday that the United States could not "keep a blind eye to the rampant unfair practices against our country!"

Trump's trade moves have laid bare ideological divisions within his own administration, spurring his top economic advisor to resign last week and drawing fierce rebukes from industry and members of his own Republican party.

Fears of a trade war have seen US stocks dive in recent days and caused industrial giants like Boeing to fear higher input costs and retaliation by trading partners due to the new tariffs. US Trade Representative Robert Lighthizer said Wednesday in a statement that Indian export subsidy programs "harm American workers by creating an uneven playing field on which they must compete."

“USTR will continue to hold our trading partners accountable by vigorously enforcing US rights under our trade agreements and by promoting fair and reciprocal trade through all available tools, including the WTO.”

Politico reported Tuesday that Trump had told Lighthizer to go higher after the trade representative proposed putting tariffs on $30 billion in annual imports from China. Lighthizer’s office declined to comment on proposals currently under development.

Trump’s aggressive trade actions—which hold true to views on trade and nationalism the president has held for decades—have also left major US trading partners struggling to strike a delicate balance between opposition and appeasement in response.

According to Lighthizer’s office, India offers benefits valued at $7 billion annually to domestic exporters such as duty, tax and fee exemptions—including support for producers of steel, pharmaceuticals, chemicals, information technology products and textiles.

In 2016, the United States ran a $30.8 billion trade deficit with India in goods and services, according to Lighthizer’s office. In Wednesday’s statement, the office said India had expanded its export subsidy programs, doubling the number of products eligible under one program to 8,000 in the last three years.

Trump has said publicly he does not favour resorting to dispute resolutions at the WTO, where he claims the United States is at a disadvantage. And the administration has instead focused so far on tariffs and remedies under domestic US law.

The action announced Wednesday was the first stand-alone WTO complaint lodged by the new administration. A prior case lodged in September over the sale of wine in Canadian grocery stories built on a complaint brought by the administration of former President Barack Obama.

Unlike Trump, the Obama White House had touted US successes in opening foreign markets to US exports by winning favourable WTO decisions and advertised the fact that the Obama administration had won every WTO case it brought.

Under Obama in 2013, the US won a WTO decision against India over local content rules that Washington said disadvantaged US exports of solar panels. Critics at the time said this undermined Indian efforts to develop local sources of renewable energy.

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The US hegemony and multilateral trading system

D. Ravi Kanth, Live Mint

March 14, 2018 : The ugly dance of the global hegemon continues to cause considerable turmoil in the multilateral trading system. After President Donald Trump vowed to slap 25% tariff on steel and 10% on aluminium, there is trepidation about a possible trade war. From neighbours Canada and Mexico to trans-Atlantic partner, the European Union (EU), and from close Pacific allies such as Japan and Korea to the emerging hegemon of the Middle Kingdom, there are subtle as well as open threats of tit-for-tat retaliatory measures. The EU had already signalled that it would impose trade retaliatory measures to the tune of more than €2.5 billion ($3.5 billion).

Even though successive US administrations have resorted to protectionist measures since the days of Alexander Hamilton's grand plan to build a powerful America in the 19th century, Trump appears to have taken the issue to a crescendo of misery. Liberal pundits of the establishment, including the voice of the liberal trade order *The Economist*, described Trump's actions as a "threat to world trade" and "the rules-based system".

"For the first time in decades," it says in a leader on 10 March, the biggest foe of free traders "is the man in the Oval Office."

Despite the continued brouhaha over Trump's national security-driven safeguard actions, ostensibly for building robust domestic steel and aluminium industries, there was a quiet meeting of the EU trade commissioner Cecilia Malmstrom, Japan's trade and industry minister Hiroshige Seko and the US trade representative Robert Lighthizer in Brussels on 10 March. The three trade chiefs have chalked out "joint actions" for targeting a country that was not mentioned in their joint readout. That country is China which is now treated as the epicentre of "non-market oriented policies and practices".

Apparently, China's policies are causing severe overcapacity, and unfair competitive conditions for workers and businesses in the US, the EU, and Japan. Beijing is hindering, according to the US, the EU, and Japan, the development and use of innovative technologies. Worse still, it is undermining "the proper functioning of international trade, including where existing rules are not effective".

Against this backdrop, it is not clear whether there will ever be concerted opposition to Trump's trade measures. One day the EU, Japan, Canada, and even China, threaten retaliatory trade measures against Washington's unilateral and illegal actions; the following day, the EU and Japan join hands with the US to launch collective action against China. Such is the logic of fragmented alliances necessitated by free trade based on the mercantile dharma of what benefits a country most.

Moreover, for far too long, it has remained a theological practice to treat the actions and violations of the "global minotaur" on the trade front with utmost reverence at the organization which is supposed to be the fulcrum of the multilateral trading system. If the US, for example, single-handedly blocks any decision on unsustainable grounds, it is portrayed/projected as if "some" members have genuine concerns with the decision even after it was thoroughly negotiated.

There are umpteen cases when the US repeatedly blocked decisions, but the WTO Secretariat and its director general chose to remain silent. For example, when Washington blocked the reappointment of a sitting judge to the highest adjudicating body for a second term, which is normal practice followed at the Appellate Body, director general Roberto Azevedo turned a deaf ear. When the US blocked a truly developmental decision for fighting hunger at Buenos Aires two months ago, the spokesperson refused to name the country. When Trump called the WTO a "catastrophe", there was no attempt to counter such a baseless charge.

However, this godly treatment is not available for other members. When India raises serious concerns with other developing countries, then India is tainted on grounds that it is blocking an important decision that benefits the US and its allies.

So, today when the god of the liberal trade order is resorting to unusual measures such as the Section 232 national security-driven safeguard actions, the WTO Secretariat is clueless. Perhaps such a situation would not have arisen if it had adopted consistent positions of naming and shaming countries that deviate from rules as it does for others. That would have enabled countries to face the challenges arising from unilateral actions of one member who has shown a remarkable consistency in pursuing its national goals in different avatars since the General Agreement on Tariffs and Trade (GATT) came into existence 70 years ago. A new emerging hegemon is also going to do the same unless there is a rupture with the dog-bite-dog approach.

When trade ministers from three dozen countries congregate in New Delhi on Monday (19 March), they must address the existential life-and-death issues of the multilateral trading system with a genuinely developmental framework. Instead of focusing on "aspirational" new issues, trade ministers must alleviate the concerns of the poorest farmers, as witnessed in Mumbai.

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Donald Trump's trade policy pales in front of Ronald Reagan's

Dani Rodrik, Live Mint

March 13, 2018 : US President Donald Trump's bark on trade policy has so far been far worse than his bite. But this may be changing. In January, he raised tariffs on imported washing machines and solar cells. Now, he has ordered steep tariffs on imported steel and aluminium (25% and 10%, respectively), basing the move on a rarely used national-security exception to World Trade Organization (WTO) rules.

Many commentators have overreacted to the possibility of tariffs, predicting a "trade war" and worse. One expert called the steel and aluminium tariffs the most significant trade restrictions since 1971, when president Richard M. Nixon imposed a 10% import surcharge in response to the US trade deficit, and predicted that, "It will have huge consequences for the global trading order." *The Wall Street Journal* wrote that Trump's tariffs were the "biggest policy blunder of his presidency"—a remarkable claim in light of the administration's missteps over Russia, the FBI (Federal Bureau of Investigation), North Korea, immigration, taxation, white nationalism, and much else.

The reality is that Trump's trade measures to date amount to small potatoes. In particular, they pale in comparison to the scale and scope of the protectionist policies of president Ronald Reagan's administration in the 1980s. Reagan raised tariffs and tightened restrictions on a wide range of industries, including textiles, automobiles, motorcycles, steel, lumber, sugar, and electronics. He famously pressured Japan to accept "voluntary" restraints on car exports. He imposed 100% tariffs on selected Japanese electronics products when Japan allegedly failed to keep exported microchip prices high.

Just as Trump's policies violate the spirit, if not the letter, of today's trade agreements, Reagan's trade restrictions exploited loopholes in existing arrangements. They were such a departure from prevailing practices that fear of a "new protectionism" became widespread. "There is great danger that the system will break down," one trade lawyer wrote, "or that it will collapse in a grim replay of the 1930s."

Those warnings proved alarmist. The world economy was not much affected by the temporary reversal during the 1980s of the trend toward trade liberalization. In fact, it may even have benefited. Reagan's protectionism acted as a safety valve that let off political steam, thereby preventing greater disruptions.

And once the US macroeconomy improved, the pace of globalization accelerated significantly. The North American Free Trade Agreement (Nafta), the WTO (which explicitly banned the "voluntary" export restraints used by Reagan), and China's export boom all followed in the 1990s, as did the removal of remaining restrictions on cross-border finance.

Trump's protectionism may well have very different consequences; history need not repeat itself. For one thing, even though their overall impact remains limited, Trump's trade restrictions have more of a unilateral, in-your-face quality. Much of Reagan's protectionism was negotiated with trade partners and designed to ease the economic burden on exporters.

The voluntary export restraints (VERs) of the 1980s in autos and steel, for example, were administered by the exporting countries. This allowed Japanese and European companies to collude in raising their export prices for the US market. Indeed, these companies may even have become more profitable thanks to US trade restrictions. There is little chance that South Korean exporters of washing machines or Chinese exporters of solar cells will fare as well today. Trump's unilateralism will cause greater anger among trade partners, and thus is more likely to generate retaliation.

Another contrast with the Reagan-era measures is that we are living in a more advanced stage of globalization, and the problems that have accompanied it are greater. The push for hyper-globalization in the 1990s has created a deep division between those who prosper in the global economy and share its values, and those who do not. As a result, the forces of nationalism and nativism are probably more powerful than at any time since the end of World War II.

While Trump's policies purportedly aim to restore fairness in global trade, they exacerbate rather than ameliorate these problems. As Jared Bernstein and Dean Baker point out, Trump's tariffs are likely to benefit a small minority of workers in protected industries at the expense of a large majority of other workers in downstream industries and elsewhere. The imbalances and inequities generated by the global economy cannot be tackled by protecting a few politically well-connected industries. Such protectionism is a gimmick, not a serious agenda for trade reform.

A serious reform agenda would instead rein in the protection of drug companies and skilled professionals such as physicians, as Bernstein and Baker argue. It would address concerns about social dumping and policy autonomy by renegotiating the rules of the WTO multilaterally. And it would target areas where the gains from trade are still very large, such as international worker mobility, instead of areas that benefit only special interests.

But it is in the domestic arena that the bulk of the work needs to be done. Repairing the domestic social contract requires a range of social, taxation, and innovation policies to lay the groundwork for a 21st-century version of the New Deal. But with his corporate tax cuts and deregulation, Trump is moving in the opposite direction. Sooner or later, the disastrous nature of Trump's domestic agenda will become evident even to his voters. At that point, an old-fashioned trade war may seem irresistible, to provide distraction and political cover.

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China does not want trade war with US, it will only bring disaster, says commerce minister

The Indian Express

New Delhi, March 11, 2018 : China on Sunday reiterated that the country does not want a trade war with US, saying it will only bring disaster. "No winners from trade wars. It will bring disaster to China, US and the rest of the world. China does not want a trade war and will not be the one to start a trade war," said Chinese Commerce Minister Zhong Shan.

The Donald Trump administration on Thursday formally declared to impose 25 per cent tariffs on steel imports and 10 per cent on aluminium, granting exemptions for Canada and Mexico, saying, plans for changes on trades for other countries will be imposed through negotiations.

Earlier, the spokesman of the 13th NPC's first session, Zhang Yesui also insisted of not having a trade war with China, saying, "But if the US takes steps to hurt our interest, we will not sit idle." "It's imperative for two countries to perceive each other's strategic intentions objectively and accurately. Policies formed by misjudgment or wrong presumption will hurt the relations and bring about consequences neither side wants to see." he said.

Zhang had also said the world should not feel threatened by China's growth. "We have no intention of overthrowing the existing international order. We are continue to be a defender and contributor of the order. Our hope is that international order would evolve for greater equity and justice." He rejected the "perception" that China was using the Belt and Road Initiative as a geopolitical tool as a misrepresentation.

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Trump's tariffs

The Indian Express

March 13, 2018 : At a time of rebound in global economic growth, the decision of US President Donald Trump to impose import tariffs on steel and aluminium, in line with his stance of anti-globalisation, has the potential to trigger a trade war. An import tariff of 25 per cent on steel and 10 per cent on aluminium has been justified by Trump — the US cannot have free trade if some countries exploit the system at the expense of others, he says, and that the US supports free trade but it has to be fair and reciprocal. Trump's move comes in the backdrop of a finding by the US Commerce Department that rising volumes of imports or shipments of steel and aluminium threatened US national security. There has been an immediate fallout — the exit of Trump's top economic advisor, Gary Cohn.

For India, the impact may be limited. According to the International Trade Administration, India, which is the 14th largest steel exporter in the world, exported just five per cent of its exports of 228 thousand metric tons in FY 2017, with the bulk of the exports being to Belgium, Thailand and markets like Vietnam. But it will hurt firms which export pipes and tubes besides stainless steel, which account for 34 per cent of the steel exports to the US. The punishing move comes also when anti-dumping duties are already in vogue. The timing of this action is unfortunate — not just because of the synchronised economic recovery in many parts of the world but also just when Indian steel exports have starting rising. In FY 2017, India exported 4.9 million metric tons of steel — up from 1.8 million in 2016 with flat products accounting for a large share. Steel prices have also been on the rise. The US trade action could force Indian steel exporters to either scout for new markets or possibly counter flooding of products into the local market by other major steel exporters including from Europe.

The stiff tariffs on shipments into the US are a fresh wake-up call for governments, including India's. Prime Minister Narendra Modi and his peers will have to keep in mind what Trump said a while ago: "I will always put America first. Just like the leaders of other countries should put their countries first". For India, that would mean increased policy support and backing for industry to make it more competitive going beyond the government's current stance of providing preference to locally manufactured iron and steel products besides aluminium.

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Donald Trump, trade wars, and optimum tariffs

Vivek Dehejia, Live Mint

March 12, 2018 : The 1 March announcement by US President Donald Trump of tariffs of 25% on steel and 10% on aluminium, confirmed with two presidential proclamations on 8 March, has provoked fears of retaliation and the possibility of a trade war.

Meanwhile, there has been much ridicule among the commenting class on Trump's explanatory tweet on 2 March. Trump had tweeted: "When a country (USA) is losing many billions of dollars on trade with virtually every country it does business with, trade wars are good, and easy to win. Example, when we are down $100 billion with a certain country and they get cute, don't trade anymore—we win big. It's easy!"

Critics have correctly identified the mercantilist fallacy behind Trump's formulation: that bilateral trade is a zero sum game, and victory is defined as having a positive current account balance with all of one's trading partners. One could also point out that the US current account deficit is a macroeconomic phenomenon, reflecting the paucity of US domestic savings relative to domestic investment, and has nothing intrinsically to do with trade policy or putative unfair trading by US trade partners.

However, critics have missed a kernel of truth in Trump's argument: that the setting of trade policy has a strategic element, and it is not wrong that the US could potentially be the winner of a trade war, if one were to erupt—although victory is not a certain, nor the only, outcome.

To understand this possibility, let us review what trade economists call the "optimum tariff". Two-and-a-half centuries ago, classical economists such as John Stuart Mill and Robert Torrens noted that a country enjoying market power in trade could improve its terms of trade, and potentially improve national welfare, by using protective tariffs. The optimum tariff is defined as tariff that maximizes national welfare. For a small economy, it is zero; for a large economy, it is positive.

The analytical argument was codified, using the Marshall-Edgeworth "offer curve" apparatus, as long ago as 1906 by economist C.F. Bickerdike in a classic (but today little read) paper, The Theory Of Incipient Taxes. He wrote there: "That is to say, with taxes not exceeding some definite height, there seems to be a certain theoretical correctness in the methods followed by Protectionists."

It was recognized early that the optimum tariff argument—which assumed no response from one's trading partners—might be vulnerable to the possibility of retaliation. Interest in what until then had been seen as a theoretical curiosum was revived during the actual tariff war of the 1930s, which was widely and correctly perceived as having worsened the effects of the Great Depression.

Writing in 1940, economist Nicholas Kaldor revived and restated the Bickerdike argument, and suggested, without conclusively demonstrating it, that at least one country (in a two-country framework) could gain from the optimum tariff war, even in the presence of retaliation by the other. The following year, economist Tibor de Scitovszky argued, to the contrary, that in the presence of retaliation, all parties would necessarily lose as compared to the free trade situation.

Scitovszky's conclusion seemed to match the experience of the 1930s, but the theoretical reasoning underpinning it was faulty. This was conclusively demonstrated in a classic 1953-54 paper by economist Harry Johnson, who, in a strikingly forward-looking and modern analysis, deployed game theory and numerical methods to demonstrate that one country or the other might gain in a tariff war, or both could lose, but both could not win.

So much for theory. On the empirical side, a 2008 paper by economists Christian Broda, Nuno Limão and David Weinstein demonstrated that in the absence of World Trade Organization (WTO) rules preventing such behaviour, countries would systematically set tariffs higher on inelastically supplied goods relative to those which were more elastically supplied, which is a direct corollary of the optimum tariff theory. In particular, they showed that US trade restrictions not covered by the WTO were significantly higher on goods where the US wielded market power. This, again, corroborates the optimum tariff theory.

Could Trump be smarter than his critics, and is it possible that the US may benefit from his proposed tariffs? While his exposition is misleadingly mercantilist, Trump's intuition that US economic might could be used to extract more gains from trading partners is not necessarily wrong.

However, while the optimum tariff argument does have a fundamental core of theoretical and empirical validity, even in the presence of a retaliation-induced trade war, it is an altogether different question whether it is the basis of sound public policy. Such a judgement must move beyond the specific question of whether a particular set of tariffs, such as Trump's proposed steel and aluminium tariffs, might lead to net gain for the US, narrowly construed, to a larger consideration of the detrimental systemic effects of such tariffs on the rules-based global trade regime.

On this broader question, Scitovszky's conclusion that everyone loses in trade wars, although it rests on shaky theoretical foundations, is probably a wise public policy judgement.

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The dangers of Donald Trump's trade brinkmanship

Live Mint

March 8, 2018 : From the late 19th century to the 1980s, Minnesota's iron ore mines had a monopoly in supplying the American steel industry. Then, transportation costs declined and Brazilian ore producers were able to beat the Minnesotans on price. The Minnesota mining companies responded by doubling productivity in the next five years. There is an obvious lesson here. If only US President Donald Trump cared to take note. The steel and aluminium tariffs he announced last week have not yet been implemented. But with the resignation of Gary Cohn as national economic council director over the tariffs, the chance that he could be talked out of them have plummeted.

The tariffs make little economic sense domestically. They will subsidize a couple of hundred thousand workers in the American steel and aluminium industries by imposing a de facto consumption tax on American consumers and soaking downstream industries that employ some 6.5 million workers. Those industries also make up a sizeable chunk of US exports, from industrial machinery to electronics. That is not particularly helpful to Trump's enthusiasm for narrowing the US trade deficit.

It will also be interesting to see how the federal open market committee of the Federal Reserve sees this. Along with expansionary fiscal policy, tariff hikes could push inflation and force the Fed to raise rates at a faster pace than currently estimated.

There are a number of other potential risks as well.

First, ironically enough given that China is the primary target of Trump's ire, the tariffs could end up boosting its steel industry. Chinese overcapacity has been a genuine problem since the early 2000s and targeted tariffs and anti-dumping measures are valid tools to address it. Partly because of over 400 such measures implemented by prior administrations, China now accounts only for a little over 2% of American steel imports—0.2% of Chinese output. Trump's global tariffs will thus do little to address the China problem. Chinese trans-shipment, meanwhile, would have been best addressed by working with trade partners like Canada and the European Union (EU), both of which have expressed concern about it. Instead, the tariffs will end up inflicting substantial damage on them—particularly Canada, which accounts for almost 17% of the US' steel imports.

This would leave Chinese companies well placed to beat out rivals in the increased competition in non-US markets. Although Chinese steel production is expected to slow in 2018 given Beijing's focus on consolidation and curbing pollution, the past two decades have shown the skewed outcomes of market dominance by China's state-owned behemoths.

Second, the increased competition could trigger a price race to the bottom. This risk increases if the EU implements the safeguard restrictions it is mulling in order to guard against a surge of steel and aluminium imports diverted from the US market. The excessively cheap metals that will flood markets like India's in such a scenario will benefit some sectors but hit domestic Indian producers—not yet out of the woods—hard. And other countries could follow the US and possibly the EU's lead, throwing up barriers against import surges. Such a rise in protectionism would benefit no one.

Third, Trump's tariffs run the risk—admittedly minor, alarmist commentary notwithstanding, given that other countries are likely to reckon the costs too high—of triggering a broader trade war. China will keep its powder dry for now, but it is eyeing US sorghum imports as a shot across Washington's bow. These don't amount to much, but restrictions on US soybean imports could be the next step. Those would be much more substantial. The EU's planned retaliatory measures, meanwhile, amount to about $3.5 billion. Trump has scoffed that this is chump change. He is correct. But he has also threatened to raise barriers to EU car imports, pointing to the risk of an escalatory spiral.

Fourth, the World Trade Organization's (WTO's) relevance is under threat. Trump invoked Section 232 of the Trade Expansion Act of 1962 for his tariffs. These allow for national security trade barriers, nonsensical in this instance. Brussels could take this to the WTO. This is a catch-22. If the WTO process is as interminable as usual, other countries may well decide to bypass it and follow Trump's lead now that he has broken the implicit international agreement not to invoke Section 232. If the WTO rules against the US, on the other hand, there is a fair chance Trump will ignore the ruling. The WTO is frequently toothless and ineffective, but making it more so is not a solution.

A few days ago, Trump tweeted that trade wars are good and easy to win. He should take a look at the trade restrictions imposed by George W. Bush and Barack Obama. A number of studies have pointed to their doing more harm than good. Lightly informed economic adventurism by the US president is not good for the US and it is not good for the world.

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'US aluminium tariff hike unlikely to impact India directly'

The Indian Express

New Delhi, March 11, 2018 : The US move to impose tariffs on aluminium imports may not have considerable direct impact on Indian metal industry, aluminium manufacturers said. The US decision to impose 10 per cent tariff on imported aluminium may not have significant direct impact on Indian aluminium industry, but it may have resultant impact due to increased availability of export volume for ex-America global market, Aluminium Association of India Chairman T K Chand told PTI.

Chand is also the Chairman and Managing Director of Aluminium major Nalco.

Vedanta Ltd, which is also a leading aluminium producer, said the company exports around 5 per cent, which is around 1,00,000 tonnes of its aluminium volumes, to the US market, hence the duties are not a game changer for it. "Moreover, the market prices will adjust accordingly with higher premiums to reflect the higher cost of supply due to the 10 per cent duties," Vedanta Ltd Chief Sales & Marketing Officer (Global Aluminium Business) Jean-Baptiste Lucas told PTI.

"But, we obviously regret such unilateral decision in breach of WTO rules on a fast growing market, which will continue to be a large net importer of aluminium — these additional costs will put an extra burden on our US customers that will ultimately make them uncompetitive," Lucas added.

Trump has last week signed two proclamations that imposed 25 per cent tariff on imported steel and 10 per cent on aluminium, a move that is likely to foment a global trade war.

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US may tie NATO contributions to tariff exemptions

The Indian Express

Washington, March 11, 2018 : US allies seeking to avoid the steel and aluminum tariffs approved by President Donald Trump might be asked to step up their financial commitments to NATO.

Treasury Secretary Steve Mnuchin told CNBC in a Friday interview that the president will consider national security, noting that Trump wants to be sure that NATO gets more funding from European allies who Trump has previously criticized for not contributing enough.

"If we're in NATO, he wants to make sure that NATO gets more money so that NATO can protect all of us and fulfill its goal," Mnuchin said, underscoring Trump's push to get NATO allies to pay 2 percent on defense.

Trump drew on rarely used national security grounds to place a 25 percent tax on steel imports and 10 percent tax on imported aluminum. Only Canada and Mexico — both partners in the North American Free Trade Agreement being renegotiated — were excluded from the tariffs.

The Treasury secretary said he has been speaking with his foreign counterparts and "my expectation is there may be some other countries that he considers in the next two weeks."

Other countries seeking exemptions from the tariffs will have to make their case through U.S. Trade Representative Robert Lighthizer, but the president will make the ultimate decision, a senior administration official told reporters Thursday. Specific steel and aluminum products could also be excluded and that authority will rest with Commerce Secretary Wilbur Ross.

Lighthizer was expected to be in Brussels this weekend for meetings with European and Japanese trade officials.

The EU has warned that it could retaliate with tariffs on U.S. steel, agricultural and other products, such as peanut butter, cranberries and orange juice.

Trump suggested before he signed the orders imposing the tariffs that Australia and "other countries" could also be exempted. He discussed the tariffs by telephone on Friday with Prime Minister Malcolm Turnbull of Australia and President Mauricio Macri of Argentina, the White House said.

P. Welles Orr, senior trade adviser at the law firm Miller & Chevalier, said foreign governments are already asking how the exemption process will work.

"The short answer is, we don't know the specifics yet," said Orr, who was assistant U.S. trade representative in President George H.W. Bush's administration. "It's certainly going to be chaotic … The business community sure hopes the administration will carefully do all the work it needs to do to make this an easy and transparent process."

Philip Levy, a former trade adviser in President George W. Bush's administration, said the flaw in Trump basing his tariffs on national security was that military allies could ask to be excluded, undermining the president's stated purpose of protecting domestic steel and aluminum mill jobs.

With national security as the primary issue, it would be hard to apply the tax to South Korea and Australia, meaning that they could ultimately land on Russia more than almost any other country, said Levy, now at adjunct professor at Northwestern University.

The proclamation signed by Trump ordering the tariffs do suggest some possible grounds for exemptions based off the specific reasons listed for excluding Canada and Mexico.

Those two countries were excluded due to "shared" commitments on national security and the reduction of excess production of steel worldwide, a provision aimed mainly at state-backed Chinese companies that Trump blames for having flooded the world with cheap steel.

The proclamation also notes how closely linked the United States, Canada and Mexico are, both economically and in terms of being physically next to each other.

Sen. Ron Johnson, R-Wis., the chairman of the Senate oversight committee, launched a review of the president's decision to impose the tariffs, asking Ross for a "detailed cost analysis" of the impact on the economy, how employment levels were factored into the decision and national security concerns.

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Will wait for US notification to see impact of tariff hikes, says India

Financial Express

New Delhi, March 9, 2018 : India today said it is waiting for the US notification on hike in import tariff on steel and aluminium to gauze its impact on domestic players amid global outcry over the America's decision to increase duties beyond its commitment at the WTO. US President Donald Trump has imposed heavy tariffs on imported steel and aluminium, sparking fears of a global trade war. Trump signed two proclamations that levied a 25 per cent tariff on steel and a 10 per cent tariff on aluminium imported from all countries except Canada and Mexico.

The contentious tariffs will go into effect in 15 days. Talking to reporters here, Commerce Secretary Rita Teaotia said there is a "disquiet" as the US has raised duties on certain items beyond the bound rates or its commitment at the World Trade Organisation. When asked what would be impact of the US duty hike on India, the Secretary said "of course" there would be some impact as India is an exporter.

"We will wait to see what from it (US notification on tariff hike) will take," she said. When asked if other countries too have raised duties beyond the bound rate, Teaotia said no other WTO member has used the "security exception" argument as done by the US in raising duties on import of steel and aluminium.

India, she said is not a protectionist country and has always kept its import duties in the WTO bound rates. She further said that 17 countries, including India, had expressed concern over the US plans to raise tariffs during the General Council Meeting of the WTO at Geneva in Switzerland. To another question on US demand to lower import duty on super-bikes, like Harley Davidson, Teaotia said India has its own 'Make In India' and is largest producer of motor bikes. She, however did not elaborate further.

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E.U., U.K. seek clarity on U.S. tariffs

Vidya Ram, The Hindu

London, March 9, 2018 : The British government is under pressure to exercise its supposed influence in Washington and gain an exemption for Britain's steel industry from the tariffs on steel and aluminium, a proclamation which was signed on Thursday. It comes as the E.U. sought clarity on whether the exemptions accorded so far by the U.S. extended to it too.

"The E.U. is a close ally of the U.S. and we continue to be of the view that the E.U. should be excluded from these measures," said E.U. Trade Commissioner Cecilia Malmstrom on March 8 evening, following the U.S. announcement. She is set to meet U.S. Trade Representative Robert Lighthizer in Brussels on the weekend. Last week, the European Commission warned that retaliatory action in the form of tariffs on U.S. imports into Europe, such as on Harley Davidson motor bikes and Levis Jeans, could follow.

Britain's International Trade Secretary Liam Fox described Mr. Trump's method for dealing with genuine problems facing the global steel industry by imposing the 25% tariff on steel and 10% on aluminium as "absurd".

"We can deal multilaterally with overproduction... Protectionism and tariffs never really work," he told the BBC's Newsnight programme on March 8, following the announcement. He is set to fly to Washington D.C. for talks on the matter next week.

British steel accounts for 1% of U.S. steel imports, but 5% of U.K. steel exports by volume and 15% of it by value, largely because the exports focus on high value products, including to the U.S. military, some of which were currently not produced in the U.S., Mr. Fox said.

So far, the U.S., which granted exemptions to Canada and Mexico, and has signalled a potential exemption for Australia, has made no mention of excluding Europe or Britain from the sweeping new tariff arrangements. In Britain, this signalled to many that the "special relationship" that Britain had been pointing to when it came to U.S.-U.K. relations post Brexit had negligible tangible significance.

"That the U.K. was missing from that list [of exemptions] shows how weak and isolated the Prime Minister has become and we risk becoming as a country," said Stephen Kinnock, the Labour MP for Aberavon, where Tata Steel's Port Talbot plant is located. "She was quick to hold Trump's hand in the

White House last year, but she has shown that she hasn't got what it takes to force his hand on steel tariffs or do what is required to protect and support the British steel industry."

But U.K. efforts to push for a national exemption could also fall foul of the E.U. at a crucial time in in Brexit negotiations. "our assumption is that the E.U. is a whole body and that the U.S. will respect that…otherwise, that is questioning the whole E.U. as a project, which is quite dramatic," Ms. Malmstrom told a business forum on Thursday, the website Poitico reported.

Industry body U.K. Steel also expressed its concerns and called on the U.K. and the E.U. to push for national exemptions. "However, even if the E.U. is ultimately able to gain an exemption, it is still essential the E.U. Commission takes swift action to combat the indirect effects of these tariffs. We must ensure our market is not now destabilised by millions of tonnes of steel diverted away from the U.S. to the E.U.. We trust and hope that the U.K. government will support such measures in due course," said its director Gareth Stace.

Last week, Tata Steel Europe, for which the U.S. represents 10% of its sales, welcomed the E.U.'s pledge of swift retaliatory action. "The E.U. must not allow the moderate recovery in our industry over the last year to be destroyed by the E.U.'s most important ally," said a Tata Steel Europe spokesperson at the time.

The steel tariff announcement comes at a crucial time for European industry, which has been in the midst of a modest recovery, in demand and pricing, following several years of crisis that saw shutdowns, both temporary and permanent. In Britain concerns about the future of the industry are heightened by uncertainty about the shape of the trade defence regime the British government will put in place in the wake of Brexit.

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US firms review plans to set up R&D units in India

Surabhi Agarwal, Ayan Pramanik, The Economic Times

New Delhi, March 14, 2018 : Many US firms have begun to review their plans to set up or expand R&D centres in the India, in what industry experts see as a fallout of the Trump administration's new additional tax on companies that move work to offshore subsidiaries.

"We are seeing that companies are re-evaluating their plans," Nasscom president R Chandrashekhar said. "It's not that they have decided not to go ahead, nor they have decided to continue as they had planned.

But most are reviewing their plans at this stage," he told ET. The Base Erosion and Anti-Abuse Tax (BEAT) that became effective in January is part of US President Donald Trump's plan to protect local jobs and prevent them from moving offshore. The BEAT rate is 5% in 2018, and will double to 10% in 2019.

The US has also reduced the corporate tax rate from 35% to 21%, a move which is aimed at giving companies more headroom to invest and hire more people in the US.

The new taxes are the latest blow to the Indian IT industry struggling with technology shifts — budget cuts for traditional outsourcing in favour of emerging areas in digital and cloud, automation and rising protectionism in its main markets such as the US and UK, which contribute four out of five dollars they earn.

The move could affect India's position as a research and development (R&D) hub for global corporations in the long run. Chandrashekhar said the two US tax reforms will have "significant adverse impact" on new investments as well as expansion into India. "It will dampen growth in business being done from India for the US. The impact is adverse because the economics of both of these have changed significantly in a negative way," he said.

Chandrashekhar, however, said availability of talent in India will continue to attract investments in India despite the increased tax burden.

India houses more than 1,100 captives, or global in-house centres (GICs), of firms such as General Electric, Honeywell and Citibank that deliver core work out of their centres across the country. These captives employ more than 800,000 professionals, generating approximately $ 23 billion in revenue, according to a 2017 report by researcher Bain and Co. Also, large technology companies such as Google, Microsoft and Adobe have huge R&D centres in the country.

Milan Seth, technology industry leader for EY India, said as far as captives are concerned, the tax does make it more difficult and expensive to set up in India. "But it's a negative not just for India but for any country outside the US."

He said the impact on India is higher because a lot of US companies have significant presence in the country. "The way to overcome it from a business point of view is to have more near shore presence through centres set up in US," Seth said.

Large firms that already have significant investments in terms of research and development (R&D) work and already employ thousands of engineers would not be impacted as these companies would already benefit from scale that would offset gains from the new tax, said experts.

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Bilateral trade between India and France below potential: President Kovind

The Indian Express

New Delhi, March 11, 2018 : The bilateral trade between India and France worth USD 11 billion was far below potential, President Ram Nath Kovind on Saturday said, adding that the trade basket between the two countries could be diversified and new avenues explored.

Welcoming French President Emmanuel Macron, Kovind said India's strategic ties with France had been expanding not just in traditional sectors of defence, space and civil nuclear energy, but also in the emerging areas of counter-terrorism and maritime and cybersecurity.

"Our economic collaboration is on course. But we can do much better. Our bilateral trade of about USD 11 billion is far below potential. We need to diversify our trade basket and look for new avenues to boost trade," he said.

The President noted that close to 1,000 French companies have invested in India, a Rashtrapati Bhavan statement said.

"We value these investments and would encourage France to associate with our flagship initiatives such as Make in India, Skill India and Digital India," it quoted him as saying.

Underlining that India accorded high priority to its strategic partnership with France, the President said,"Our traditional friendship is firmly rooted in the excellent bilateral understanding and mutual respect that we have. Our shared values of democracy, liberty, equality and fraternity bring us even closer".

India commended France's efforts in the global fight against climate change and the two countries stood together in this endeavour, Kovind said.

"Tomorrow, we are co-hosting the International Solar Alliance and the presence of the French President at the conference will take our climate partnership to newer heights," he said and expressed hope that the event would be able to make a mark globally in bridging the gap between affordable and clean energy.

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TPP redone: Asia-Pacific trade deal unlikely to dent India's exports

Banikinkar Pattanayak, Financial Express

New Delhi, March 10, 2018 : The mega Asia-Pacific trade pact signed by 11 nations, including Japan and Singapore, is unlikely to dent India's export prospects meaningfully due to the absence of its key market — the US — in it, official and trade sources said on Friday. But the deal could see more pressure being piled on India to help conclude the 16-nation Regional Comprehensive Economic Partnership (RCEP) agreement at the earliest without being too emphatic about its own demands in services sector, they added. However, in the absence of the US, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) has lost much of its potential clout, as it will cut tariffs in nations that together make up for just over 13% of the global economy (with the US, it would have represented 40% of world GDP). "The new trade deal is unlikely to damage our export prospects. However, a precise assessment of the impact on India will be known once it's ratified by individual members," an official source said here. "The absence of the US in the new deal is a relief for India's garment industry."

The US was the original proponent of the TPP but President Donald Trump decided to withdraw from it as he said it would be "the death blow for American manufacturing". The 11 other nations firmed up a revised trade agreement in January. That agreement will become effective when at least six members have completed domestic procedures to ratify it, expected to be over by the end of this year. "The CPTPP won't impact India much. As such, six of the 11 CPTPP countries are already part of the grouping negotiating the RCEP in which India is also a participant," said Biswajit Dhar, professor at Centre for Economic Studies and Planning of JNU. However, some of the stringent standards originally enshrined in the CPTPP, including in the labour sector, could make their way into the RCEP agreement as well. The CPTPP comprises member-nations such as Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam. The labour-intensive garment industry could breathe easy, as fears of key competitor Vietnam gaining duty-free access to the US, India's single-largest market for such products, abate. Vietnam has already beaten India as the world's third-largest garment exporter and the threat from the nation had appeared more real, given that the US accounted for 22-30% of India's garment exports in recent years and Indian exporters have to pay duty in the range of 14-32% for the shipment of textiles and garments there.

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Will prepare plan on air cargo support to boost agri exports: Suresh Prabhu

The Economic Times

New Delhi, March 13, 2018 : Union Minister Suresh Prabhu said today that he has asked civil aviation ministry officials to prepare a plan for providing air cargo support to agricultural hubs to promote farm exports.

The commerce and industry minister, who also holds additional charge of the civil aviation ministry, said that draft policy to increase agricultural exports is ready and is being circulated for inter-ministerial views.

He said that effort would be made to provide air cargo support to the sector to promote exports of agri commodities.

"I have asked officers (of civil aviation ministry) to prepare a plan" to provide this support with a view to fast-tracking the movement of farm commodities," he said at the inauguration of international food processing and hospitality event at Pragati Maidan here.

Talking about hospitality sector, he said the Union Cabinet has recently approved an action plan for 12 champion services sectors, including IT, tourism and hospitality.

The fund, once set up, will support initiatives for sectoral action plans of the sectors.

"We are preparing a comprehensive plan for each sector," he said, adding that it will help address the issues being faced in these segments.

Speaking at a separate programme on counterfeiting, the minister asked the department of industrial policy and promotion (DIPP) to prepare a proper module for police to effectively enforce the laws related to intellectual property rights (IPRs).

He was addressing the national conference on counterfeiting and role of enforcement agencies.

President of the Film and Television Producers Guild of India Ltd Siddharth Roy Kapur suggested steps to check such practices and film piracy.

He asked the government to strengthen the IT Act and creation of a separate cyber crime cells in each states.

Tomasz Kozlowski, Ambassador of the European Union to India, said that enforcement of IPR laws are crucial to promote innovation.

He asked the DIPP to consider launching a cooperation project between India and the EU in the field of intellectual property and to establish a structured dialogue on the subject.

"This is for your consideration. We are ready to work on both these proposals," he added.

DIPP Secretary Ramesh Abhishek said that the ministry is taking several steps including increasing capacity for faster clearance of IPR applications.

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