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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.

Nations mull rules governing ‘arbitration’ as an option for resolving trade wars at WTO

D. Ravi Kanth, Live Mint

Geveva, December 24, 2018: As the US escalates its trade war with China and simultaneously prepares the ground to terminate the highest global court for trade disputes next year, several industrialized countries are considering rules governing “arbitration” as a possible option for resolving trade frictions at the World Trade Organization (WTO), say people familiar with the development.

The arbitration route would go back to the pre-WTO phase of panels, which allowed powerful countries to block rulings in a dispute raised by small members, said a trade envoy, who asked not to be quoted. “Such a system based on arbitration will take the WTO back to the pre-1995 phase when trade disputes were seldom resolved by the powerful countries who could block rulings issued by panels,” the envoy admitted.

On Friday, a senior US trade official ratcheted up pressure on China threatening Beijing that the Trump administration will take extreme measures against China for dismantling the economic policy regime that is being followed by the Chinese administration.

Despite the US and China having agreed to address their bilateral trade frictions in the next 90 days ending 1 March 2019, Peter Navarro, a senior trade official in the White House, told the Japanese financial daily Nikkei on Friday that the US administration will escalate the trade war if Beijing fails to satisfy Washington’s core demands to do away with major economic policies being pursued by Beijing, including the forced transfer of technology and industrial subsidies.

On a separate track, the US mercilessly attacked China at its 14th trade policy meeting that ended on 19 December accusing China of being the “epicentre” for global trade disputes. A large majority of countries, including the European Union and India, held the US responsible for global trade frictions and sought assurances from the US to resolve the blockages it had created at the WTO during the American trade policy review meeting.

However, the US trade envoy Dennis Shea, solely focused his replies on accusing China for all the problems on the multilateral trade front, said several trade envoys, preferring not to be quoted.

Against this backdrop, several major industrialized countries are now reconciling to the prospect of the disappearance of the appellate body because of intransigent positions adopted by the US by the end of new year. Consequently, they are preparing the ground for considering rules governing “arbitration” in the Dispute Settlement Understanding as a possible option in case the appellate body is terminated next year.

US and China trade barbs at WTO amid calls for reform

Stephanie Nebehay, Reuters, Live Mint

Geneva, December 17, 2018: The United States said on Monday that China's "unfair competitive practices" were harming foreign companies and workers in a way that violates World Trade Organization (WTO) rules, but vowed to lead reform efforts.

US trade ambassador Dennis Shea drew fire from Chinese envoy Zhang Xiangchen who said the Trump administration's tariffs on steel and aluminium products allowed protectionism under the guise of dubious national security concerns.

The heated words, in texts seen by *Reuters*, were exchanged at the start of a closed-door review of US trade policies, held every two years at the WTO, which continues on Wednesday.

Shea expressed concern about the WTO dispute settlement system having "strayed far from the system agreed to by members" and said that the Appellate Body had overreached in some legal interpretations.

Zhang countered that by blocking the selection of judges, Washington was putting the system into paralysis.

To force reform at the WTO, Trump's team has refused to allow new appointments to the Appellate Body, the world's top trade court, a process which requires consensus among member states. As a result, the court is running out of judges, and will be unable to issue binding rulings in disputes.

Shea described the US economy as "one of the most open and competitive economies in the world", with among the lowest tariffs globally, rejecting criticism by some of the US approach as "unilateralist and protectionist".

China has pursued "non-market industrial policies and other unfair competitive practices" aimed at supporting its domestic industries while restricting or discriminating against foreign companies and their goods and services, he said.

"The WTO is not well equipped to handle the fundamental challenge posed by China, which continues to embrace a state-led, mercantilist approach to the economy and trade," Shea said.

He did not refer to the dispute on steel or automobiles which brought the two powers to the brink of a major trade war but defended the US. "Section 301" investigation that found in March that Chinese practices related to technology transfer, intellectual property and innovation were discriminatory.

On Section 301, Zhang said the US measures vastly increased tariffs, “bringing back to life the ghost of unilateralism that has been dormant for decades”.

Shea said the United States was committed to working with like-minded members to address concerns on the functioning of the WTO. “Reforms are necessary for the continued viability of the institution,” he said.

Zhang echoed his call, but said: “If the roof of this building is leaking, we should work together to fix it, rather than dismantling it and exposing all of us to rains and storms.”

Global trade war: A battle where all parties stand to lose

Hindustan Times

December 28, 2018: 2018 will be remembered in global economic history as the year when the already-fragile consensus over the liberal multilateral trading order received its biggest blow. In keeping with his America First rhetoric, US President Donald Trump unleashed a series of tariff hikes targeting Chinese imports. China too retaliated in kind. The US and China are the two largest economies in the world. China’s economic rise has been accompanied by a surge in Chinese manufacturing exports into the US, which many including Trump see as a big reason for the destruction of jobs in the US economy.

Prospects of a trade war among world’s largest economies spooked economic observers across the world. Commodity prices went down, global economic growth and trade growth projections were reduced and protectionist policies started gaining traction across the globe. As far as the impact of the trade war on global trade is concerned, the World Trade Organisation (WTO) downgraded its global trade growth forecast for 2018 and 2019 by 50 basis points and 30 basis points between April 2018 and September 2018. One basis point is one hundredth of a percentage point. Trump announced most of his tariff hikes after April.

These headwinds to global trade have come at a time when the impact of the 2008 global financial crisis is still lingering. Statistics from the United Nations Conference on Trade and Development (UNCTAD) show that global trade growth between 2010 and 2015 was the lowest in five-year periods beginning in 1995, the year when the WTO came into existence.

What is ironical is that protectionist measures by the Trump administration have not helped in controlling the US trade deficit. According to statistics from the Bureau of Economic Analysis, the US current account deficit as a percentage of GDP actually increased by 40 basis points between the second and third quarter of 2018. While the gains to the US economy from such measures remain uncertain at best, they have thrown the rest of the global economy into great jeopardy.

For India, which has adopted the export-oriented Make in India as one if its flagship economic policy objectives, policy dilemmas will increase going into the future. On the one hand, there is an opportunity to capture some of the export market in what as of now is a bilateral retaliation between the US and China. For example, India could target greater textile exports to the US and bigger soybean exports to China. But a proliferation of the trade wars will also mean that global trade as an engine of economic growth will come under pressure and egalitarian trade policies, especially in agriculture, will take a hit. Both will generate headwinds for economic growth.

The political flashpoints to watch in 2019

Hindustan Times

December 20, 2018: The world is changing fast and 2019 promises to be another bewildering and chaotic year. The rise of China in the East and populists in the West means that, by mid-2018, economies run by mainstream democratic parties accounted for just a third of the combined gross domestic product of the Group of 20 nations, down from 83 percent in 2007, according to Bloomberg Economics. And that was before the election of two more populist presidents, Andres Manuel Lopez Obrador in Mexico and Jair Bolsonaro in Brazil.

“In 20 years I haven’t operated in an environment like this, ever, because there were always safe havens before. Countries we thought easy to predict are becoming harder to read now,” says Claire Simpson, global claims director at Willis Tower Watson Plc, a global risk advisory and insurance company.

Whether this upheaval is due to a technological revolution, income inequality, a clash of civilizations or Western arrogance (choose your poison), the trend is set to continue. In 2019, a number of these transitions from the post-Cold War era have the potential to come to a head, each carrying “worst case” risks. To help navigate them, we’ve compiled a calendar of some of the key moments to watch, organized by topic. Happy New Year.

A New Arms Race

On Dec. 4, Donald Trump gave Russia 60 days to comply with the Intermediate-range Nuclear Forces Treaty or see Washington trigger a six-month notice period to end its commitments not to produce land-based missiles and launchers that have a range of 500 kilometers (310 miles) to 5,500 kilometers. The clock runs out at the end of February. The 1987 treaty was negotiated between the U.S. and then-Soviet Union to dismantle thousands of middle-range nuclear missiles in Europe. Shorter trajectories made them hard to respond to and therefore destabilizing. That remains true today, but non-signatory China wasn’t covered and now has a large arsenal of them. Russia says it hasn’t breached the treaty’s terms.

Worst case: The U.S. exits and Russia points previously banned missiles at its Western neighbors, supercharging an arms race in high-tech weapons already underway, and tossing a political grenade into NATO, as the U.S. and eastern and western European members divide over whether to respond in kind. ► Risk of INF treaty collapse: High► Risk of new nuclear arms race in Europe: Medium

Russia

A 2018 survey for Willis Towers Watson found that its larger clients suffered most losses in Russia, often as a result of sanctions. So Russia gets its own category. The Kremlin may have given up on cultivating Trump, after he canceled two meetings with President Vladimir Putin toward the end of the year. Russia's meddling in foreign elections, and its efforts to extend influence in the Balkans and former Soviet republics look set to continue, with further U.S. sanctions in response. A summit in Washington, previously floated for 2019, appears to be in jeopardy, though the two could potentially meet at the next G-20 summit in Japan in June.

Worst case: U.S.-Russian relations descend into open hostility, affecting arms control and areas where they had until now been able to cooperate.► Risk: High

Trade Wars

The 90-day tariff truce that Trump and President Xi Jinping agreed at the recent G-20 expires at the end of February. If they fail, U.S. tariffs would rise on a $200 billion tranche of imports from China. The whipsaw on the S&P 500, as events repeatedly boosted and then undermined belief in the truce, show the stakes.

Worst case: A full-fledged trade war that expands into an open struggle for strategic dominance by the end of the year, undermining growth and security around the globe.► Risk: High

Also by February, the U.S. Commerce Department is due to rule on whether automobile imports constitute a national security threat, a designation that would let the U.S. slap higher tariffs on imports of cars without technically breaching World Trade Organization rules. European, and in particular German car manufacturers have most to lose. U.S. trade talks with Japan could take place any time from January, with more scope for a deal than with the EU. The Japan G-20 summit could be tense as a result.

Worst case: The U.S. raises tariffs on auto imports, triggering a full-fledged trade war with Europe. The G-20, made impotent by rising nationalism, loses relevance.► Risk: High

To close out the year, unless the U.S. stops blocking appointments to the appellate body of the WTO in Geneva, the trade body will on Dec. 10 lose the minimum three judge quorum needed to issue rulings.

Worst case: The world loses its dispute resolution mechanism for trade disputes.► Risk: High

War Wars

U.S. pressure on Iran will build, after Trump withdrew from the 2015 nuclear deal and, in November, reimposed so-called secondary sanctions on companies from other countries that breach U.S. sanctions. The strategy, backed by Israel, Saudi Arabia and the UAE, is to squeeze Iran out of Yemen, Syria, Lebanon and Iraq, and back to the nuclear negotiating table. So far the effort has had both limited cost and success, but with sanctions taking full effect, 2019 could be an eventful year. With so many flashpoints, the potential for escalation is clear. (Click here for the International Crisis Group's interactive map of trigger areas).

Worst case: Iran restarts nuclear fuel production, prompting a rapid escalation. Pressured, Tehran tries to block the Strait of Hormuz, where it has naval exercises scheduled for August and through which 30 percent of the world's crude oil supply passes every day.► Risk: Medium

North Korea would have topped any list of global security threats at the start of 2018, but the June summit between Trump and Kim Jong Un defused an escalatory spiral of threats and ballistic missile tests. Things remain calm, but Kim shows no sign of genuinely dismantling his nuclear or missile programs, and likely used the détente to stockpile nuclear material and improve his weapons systems. Kim says the arrogance of U.S. demands is to blame for the lack of progress. Trump has said he wants another meeting, in January or February. Annual U.S.-South Korean military exercises usually take place in March and August.

Worst case: A summit bust-up that leads to a renewed cycle of escalation.► Risk: Low

The low level conflict in Eastern Ukraine returned to the headlines in November, when Russian special forces rammed, fired on and seized three Ukrainian naval vessels making their way into the Sea of Azov. Russia had been restricting commercial shipping to Ukrainian commercial ports in the sea for months before. The rhetorical fireworks between Kiev and Moscow are unlikely to die down before Ukrainian presidential elections on March 31.

Worst case: Political instability and an incident that escalates to a rekindled Russian-Ukrainian war.► Risk: Medium

Afghanistan is due to hold presidential elections on April 20. The U.S., anxious to find an exit from a war that in 2019 will be in its 18th year, is raising the pace of peace talks with Islamist insurgents from the Taliban movement that ruled the country at the time of the 9/11 attacks on the U.S., in 2001. Washington is also pressuring Pakistan, the Taliban's backer, to cooperate. But with military operations running at a high pace, and casualties heavy among an Afghan army that still needs support, withdrawal will be as hard to achieve as in previous years.

Worst case: The war continues for Afghans, the U.S. and its allies.► Risk: High

The war in Syria looks certain to continue for an eighth year in 2019. Turkey is likely to be at the center of events early on. President Recep Tayyip Erdogan threatened last week to begin a new offensive “within days” against ethnic Kurdish fighters who occupy much of the area just south of Syria’s border with Turkey. Doing so could see a confrontation between Turkish and the U.S. forces that have fought alongside the Kurds to clear the country of Islamic State terrorists. Meanwhile, Russia may call time on a truce in which it agreed not to attack Idlib, the last major territory held by rebel groups fighting the regime of President Bashar al-Assad. The truce is designed to give Turkey time to clear jihadists and heavy weaponry from the area. A wider risk is that with Iran, Israel, Russia, Turkey and the U.S. now militarily present either on the ground or in the air, “deconfliction” fails.

Worst case: The war escalates into a wider conflict among regional powers, driving more refugees to fragile states such as Jordan and Lebanon, as well as to Turkey.► Risk: Medium

Nigeria holds elections on Feb. 16 and an intensified campaign by an Islamic State-allied faction of the jihadist Boko Haram is expected. After declaring victory, Nigeria’s military has struggled to reassert control over swathes of the country and has suffered a succession of humiliating defeats, as Boko Haram overran under-resourced military posts to seize their weapons stores. Hence, the fear of a major campaign to come.

Worst case: Boko Haram gets a fresh wind as a demoralized Nigerian military fails to protect polling booths and civilians from attack.► Risk: High

The opening of Ethiopia’s much delayed $4.8 billion hydroelectric dam project on the Blue Nile is now expected in late 2019. The impact of filling the dam on Egypt, downstream, has led to intense negotiations over how long this should take, with a possible range of 3-to-15 years. Too short and Egypt, which is already water poor, could lose an estimated 20 percent of its supply. Ethiopia is anxious to start generating power to defray the investment cost. At times, Egyptian leaders hinted at a military solution, but for now diplomacy rules.

Worst case: Ethiopia stars filling the dam at a high rate with no agreement in place, triggering an Egyptian response.► Risk: Medium

European Disunion

2019 has potential to become an annus horribilis for the European Union. While Italy looks to have averted for now EU fines for running an excessive deficit, the fragile coalition of two EU-skeptic populist parties in Rome is unlikely to wait long until it next takes on Brussels. A recession and early elections are possible, as they are in Spain. In December a far right party, Vox, won seats in a Spanish regional election for the first time since the death of General Franco. The stakes are high for Europe as a whole. French and German banks held more than $400 billion of Italian debt in 2018, compared with $115 billion of Greek debt at the start of that country's debt crisis in 2010.

Worst case: Greece on steroids, a new crisis that breaks up the euro.► Risk: Low

Then comes Brexit. The March 29 deadline for the U.K. to leave the EU approaches with no terms yet agreed and the British parliament so divided that it's hard to predict an outcome. Brexit is big. London is the seat of European finance and the U.K. has one of the EU's largest economies and militaries. The Bank of England, controversially, has projected Brexit to cost anywhere from 1.5 percent to 10.5 percent of gross domestic product (currently $2.6 trillion) over five years, depending on how the U.K. leaves.

Worst case: A bitter, disorderly Brexit without agreement on its terms that imposes heavy economic costs on both sides and damages security cooperation against common threats.► Risk: Low, though as BoE Governor Mark Carney put it, still "uncomfortably high"

A third challenge to the EU comes from elections to the European Parliament. The May 23-26 vote is shaping up as a major test of the EU's popularity and of the upstart nationalist and populist parties straining against it. Former Trump strategist and alt-right hero Steve Bannon has said he will co-ordinate the campaigns of nationalist parties across the bloc. Leading the charge against them? A diminished French President Emmanuel Macron and lame duck German Chancellor Angela Merkel. All of the above will feed into the always fraught selection, by late October, of the next presidents of the European Central Bank, European Commission and European Council.

Worst case: The populists win big, gaining enough seats in parliament both to hobble the EU's legislative process and boost prospects for nationalist victories and agendas across Europe.► Risk of populist gains: High

Trump

The U.S. president gets his own category, too. If the last two years have been eventful, 2019 will be more so. The Mueller investigation into alleged collusion between the 2016 Trump election campaign and Russia could deliver its findings in the first part of the year. These won't necessarily be made public, or produce any impeachable offense. Yet they will create turmoil and distraction in a White House that, after November's midterm rout of Republicans in the House, will face a hostile Congress spoiling for new investigations of the President, including into his finances. The political temperature will only rise through the year, as both Trump and his opponents move to campaign ahead of the presidential election in 2020.

Worst case: Political gridlock in Washington and yet more Twitter bombs launched into sensitive foreign policy issues to draw attention away from the investigation.► Risk: High

The US's new free and open Indo-Pacific strategy

Brahma Chellaney, Hindustan Times

December 19, 2018: From Richard Nixon to Barack Obama, successive US presidents, as a matter of policy, aided China's rise in the naïve hope that a more prosperous China would liberalise economically and politically. But now a fundamental shift in America's China policy is under way, opening the path to greater Indo-US collaboration. The evolving paradigm shift, with its broad bipartisan support, is set to outlast Donald Trump's presidency.

China, a trade cheat that has also employed non-tariff tools to punish countries as diverse as South Korea, Mongolia, Japan and the Philippines, is getting a taste of its own medicine. By scripting the Canadian arrest of the Huawei founder's daughter, the US has shown it has more powerful non-tariff weapons. The action has rattled China's elites: They are angry but also fearful that any one of them could meet a similar fate while travelling to the West.

The arrest was significant for another reason. As former US defence secretary Ash Carter says in a recent essay published by Harvard University, Beijing has a history of staging provocations that coincide with high-level diplomacy. For example, the start of President Xi Jinping's 2014 state visit to India coincided with a deep Chinese military incursion into Ladakh. The fact that the Huawei arrest coincided with the December 1 Trump-Xi dinner meeting in Buenos Aires signalled to Beijing that others can pay it back in the same coin.

America's ongoing policy shift, however, should not obscure how its "China fantasy", as a book title describes it, called it, facilitated the assertive rise of its main challenger. Such was the fantasy that President Bill Clinton got China into the WTO by citing Woodrow Wilson's vision of "free markets, free elections, and free peoples" and claiming the admission would herald "a future of greater openness and freedom for the people of China". Instead, China has become more autocratic and repressive, building an Orwellian surveillance state.

The end of the 45-year-old US conciliatory approach to China does not necessarily signify the advent of an overtly confrontational policy or even a new cold war. China, for example, still gets a free pass on human-rights abuses. The US has slapped no sanctions on China for detaining more than a million of its Muslims in internment camps. Imagine the US response had Russia set up such camps.

The policy shift appears more about finding economic levers to blunt China's strategy of global expansion and ascendancy. In Asia, for example, China is seeking to displace the US as the leading power and contain its peer rivals, Japan and India, by seeking to enforce a 21st-century version of the Monroe Doctrine, including through geo-economic tools and territorial and maritime revisionism. It has gained de facto control of much of the South China Sea.

A key question is whether the US policy shift is occurring too late to stop China's global rise or even compel it to respect international norms and rules. Having become strong through assorted trade barriers, quotas, currency manipulation, forced technology transfer, intellectual property theft, and industrial and export subsidies, China is unlikely to fundamentally change its behaviour in response to the new American pressure. Xi, China's new self-crowned emperor, would undermine his position — and his strategy to build a Sino-centric Asia — by yielding to American demands.

Xi's regime will seek to bear the US pressure — at some cost to China's economic growth — but without materially altering its policies or global ambitions. The 90-day "truce" in the trade war that Xi negotiated with Trump in Buenos Aires meshes with Beijing's "two steps forward, one step back" strategy to progressively advance its ambitions.

Nevertheless, the US, by embracing a more realistic and clear-eyed approach, is signalling that China's economic and strategic aggression will no longer go unchallenged. Even if the US fails to compel Beijing to respect international rules, its policy change signifies that the free ride that China has long enjoyed is ending — a free ride that has brought the security of its neighbours, including India, under pressure.

Indeed, Trump has shown how active pressure on China, as opposed to Indian-style imploration, can yield concessions. Whereas deference to China usually invites bullying, standing up to it generates respect and compromise.

In Buenos Aires, while the spotlight was on the Trump-Xi talks, the US president's joint meeting with prime ministers Shinzo Abe and Narendra Modi — the first ever such trilateral — underscored the centrality of Japan and India to the American goal to build a stable balance of power in Asia. Indeed, the entente between Asia's richest democracy and its biggest is a principal pillar of Washington's newly unveiled "free and open Indo-Pacific" strategy.

European Union expands WTO case against Chinese technology transfers

Philip Blenkinsop, Reuters, Live Mint

December 20, 2018, Brussels: The European Union expanded its challenge against China at the World Trade Organization on Thursday over laws it says force the transfer of technology in areas including electric vehicles and crop seeds.

The European Commission, which oversees trade policy in the 28-member European Union, said it was significantly broadening and deepening the scope of its WTO action against China.

The European Union, the United States and Japan have held a series of talks this year to coordinate a fight against unfair competition from subsidies, state-led enterprises and forced technology transfer, without naming but clearly eyeing China.

Like the EU, the United States has complained to the WTO about Chinese policies on technology transfer and intellectual property rights, but also imposed tariffs on $50 billion of Chinese imports to force changes.

An EU official said Brussels had informed its partners of its action but the challenge was not a joint one.

The EU’s new complaint focuses on Chinese laws that regulate the approval of investments for electric vehicles and biotechnology and the approval of joint ventures across sectors.

The Commission said that the Chinese laws imposed requirements on foreign companies operating in China, contravening a commitment not to do so made when Beijing joined the WTO.

“The so-called performance requirements force or induce European companies to transfer technology to their joint ventures with Chinese partners in exchange for the necessary administrative approvals by the Chinese authorities,” the Commission said.

“Foreign companies are also required to carry out research and development activities in China,” it continued.

Beijing has said such transfers are voluntary, not forced, and that many foreign companies have benefited from the work on new technologies by R&D centres in China.

The new challenge complements an existing complaint lodged at the WTO in June. This targets specific provisions under Chinese regulations on import and exports of technology centred on Chinese-foreign equity joint ventures.

The EU says this goes against WTO rules to treat equally national and foreign companies and unduly restricts the rights of EU companies, such as in relation to patents.

The WTO challenge will first result in consultations between the parties. If no solution is found in 60 days, the EU can then request that the WTO set up a panel to adjudicate on the issue.

India to hold bilateral meetings with some RCEP members, next round of talks in Feb

Live Mint

New Delhi, December 25, 2018: Indian officials will hold bilateral meetings with a few countries, including China and some ASEAN members, in the coming days to iron out issues hindering negotiations of RCEP mega trade deal, an official said.

The Regional Comprehensive Economic Partnership (RCEP) is a mega free trade agreement, which aims to cover goods, services, investments, economic and technical cooperation, competition and intellectual property rights.

After the bilateral meetings, the RCEP members will meet for the 25th round of negotiations in mid-February in Indonesia, the official added.

RCEP bloc comprises 10 ASEAN members (Brunei, Cambodia, Indonesia, Malaysia, Myanmar, Singapore, Thailand, the Philippines, Laos and Vietnam) and their six FTA partners - India, China, Japan, South Korea, Australia and New Zealand.

The main issues that needs resolution include number of goods on which import duties should be completely eliminated and norms to relax services trade.

RCEP members want India to eliminate or significantly reduce customs duties on maximum number of goods it traded globally. India’s huge domestic market provides immense opportunity of exports for the member countries.

However, lower level of ambitions in services and investments, a key area of interest for India, does not augur well for the agreement that seeks to be comprehensive in nature.

Under services, India wants greater market access for its professionals in the proposed agreement.

Trade experts have warned that India should negotiate the agreement carefully, as it has trade deficit with as many as 10 RCEP members, including China, South Korea and Australia, among others.

“India should not try to negotiate trade offs between goods and services as it may prove counter-productive in the long run. Trade off should be negotiated either between goods or between services,” an expert, who did not wish to be named, said.

India wants to have a balanced RECP trade agreement as it would cover 40% of the global GDP and over 42% of the world’s population.

India already has a free trade pact with Association of South East Asian Nations (ASEAN), Japan and South Korea. It is also negotiating a similar agreement with Australia and New Zealand but has no such plans for China.

India's exports performance good despite global headwinds; but here's why Suresh Prabhu isn't happy

Financial Express

December 26, 2018: India is preparing a specific strategy for exports to each geography as part of plans to make 2019 a year when outward shipments would start driving the country's overall economic growth, Commerce and Industry Minister Suresh Prabhu has said. The minister said India's exports performance has been "extremely good" in the past 14 months, but he is not fully satisfied as yet and the plans for 2019 also include a special focus on boosting shipments to the African continent and Latin America given huge growth potential there. He said the Indian exports are growing at a time when the global trade is witnessing worst ever headwinds, countries are fighting at import duty front and there is increasing protectionism and slowdown in demand.

"(But) I am not fully satisfied. I want exports to drive India's growth. To do that, the situation is very challenging as each country is trying to put their own borders," Prabhu told PTI in an interview.

Since 2011-12, India's exports have been hovering at around USD 300 billion. During 2017-18, the shipments grew by about 10 per cent to USD 303 billion. Experts have cautioned that growing trade tensions between the US and China could impact the global trade growth. Imposition of high import duties by the US this year on certain steel and aluminium products have triggered a trade war kind of situation.

The World Trade Organisation (WTO) too has stated that escalating trade tensions and tighter credit market conditions in important markets will slow trade growth in 2019. "In 2019, we would like to ensure that all measures that we initiated earlier and the new measures get consolidated and 2019 should be a new year for exports. So I am preparing a strategy. For each of the geographies, we will prepare a specific strategy," Prabhu said.

Elaborating on his plans, the minister said African continent holds huge potential for domestic exporters and there is a need to significantly boost shipments to that region. Prabhu said his ministry is in process of creating a template for some kind of a free trade agreement with Africa which will take into account the overall difference of level of growth of that continent and the country specific profiles.

Similar plans are there for other regions as well, including for Latin America, he said. Central America, South East Asia, Central Asia and South Asia hold huge potential for domestic exporters, but “our performance is at sub-optimal level” in these regions, he added. Emphasised on the need to promote value added exports, Prabhu said his ministry is trying to bring Japanese and Korean companies on board to increase outbound shipments of marine products. He also hoped that the recently announced agri-export policy will help boost exports from the sector to USD 60 billion in the next five years and USD 100 billion in the next 10 years.

“This is doable because we are the largest producers of milk and the second largest producer of fruits and vegetables,” he said. The ministry would be drawing a strategy to promote shipments of five categories — plantation crops, meat, fisheries, agriculture and horticulture, he added. For this, the minister will be meeting all plantation boards, farmers associations and organisations and discuss issues related to every segment.

“We are asking states for product-specific clusters. For example, in Jalgaon (Maharashtra) we are promoting cluster for bananas, and for grapes in Nashik,” he said. The ministry is also preparing an incentive package for labour-intensive sectors like leather to address issues faced by exporters.

“We are preparing a package which will ensure that exporters’ woes are addressed properly. There have been challenges for the export sector over a period of time and one big challenge is credit,” he said. The ministry is also looking at the quality of goods being exported by India as foreign firms are keeping a special tab on this. Further, Prabhu said as India is one of the major exporter of services like IT and ITeS, the ministry’s strategy will have elements to promote services exports also.

The government has approved an action plan for 12 champion services sectors, including IT, tourism and hospitality, for realising their potential through the establishment of a Rs 5,000 crore dedicated fund. Commenting on the growth prospects next year, exporters said the government needs to focus on areas like a timely refund of Goods and Services tax; adequate availability of affordable credit; extending export duty benefits to more areas like seeds; and interest subsidy to merchant exporters.

“If the government will take all these steps in the coming months, we can register 20 per cent growth in exports,” the Federation of Indian Exports Organisation (FIEO) President Ganesh Kumar Gupta said. Promoting exports helps a country to create jobs, boost manufacturing and earn more foreign exchange.

Opinion| Must developing nations pay for the sin of others

D Ravi Kanth, Live Mint

December 21, 2018: Will developing countries continue to pay for the sins they had not committed? Perhaps it is the case with major international agreements. Whether it is climate change or global trade, the burden-sharing commitments for addressing the existential challenges of the 21st century are invariably tilted. “Developing countries are not comfortable or happy…we need to see if developed countries have honoured their commitments (because) still some countries have not started their mitigation efforts, or provided financial support (to poor nations),” Xie Zhenhua, China’s chief negotiator, said two days before the curtains came down on the 24th session of the Conference of the Parties (COP24) to the United Nations Framework Convention on Climate Change (UNFCC) in Katowice, Poland.

The COP24 was tasked to frame rules that will govern the world’s most ambitious climate pact reached in Paris three years ago, in 2015. After struggling day and night for two weeks, 195 countries finalized a “rule book” for the Paris Agreement of 2015 on 15 December. As part of the agreement, countries had committed to keep global warming “well below” 2°C relative to the pre-industrial revolution, and preferably within 1.5°C.

“Climate change is running faster than we are,” said United Nations secretary general Antonio Guterres last week. “This will allow us to have a regime that is fair and effective for all,” he emphasized. “Climate change is the greatest challenge of mankind, in front of it no country is spared, and destinies are shared,” argued Zhenhua.

But the final deal reached in Katowice was a compromise between the world’s three largest polluters—the US, the European Union, and China—according to a report in the Financial Times on 16 December. The three leading CO2 emitters had agreed to harmonize rules for measuring and reporting their climate targets for limiting global warming to well below 2°C.

Effectively, the new agreement seems to have put paid to one of the most fundamental principles of climate change negotiations–that is, common but differentiated responsibilities between the developing countries on the one hand, and the developed countries on the other, due to historical responsibility of developed countries for their past emissions.

The Kyoto Protocol, which was agreed in 1992, included equitable burden-sharing principles based on common, but differentiated responsibilities for addressing climate change. If countries lived by their Kyoto Protocol commitments, climate change would not have reached a tipping point. But it was sabotaged by the US Congress and, afterwards, countries chose to exceed their carbon budget.

Thus the Katowice’ first principles for implementing the Paris Agreement has turned a blind eye on the historical responsibility of the biggest emitters, while focusing largely on current and future emissions. The deal also includes a universal system for measuring and reporting emissions, where all countries abide by the same rules that will take effect in 2024.

There is no clarity yet as to what would happen to the financing commitment of $100 billion by developed nations towards mitigation efforts in developing countries. With Donald Trump’s administration having walked away from the Paris Agreement, all promises made on financial commitments to address climate change remain only on paper. In short, developing countries are asked to pay for their mitigation and adaptation efforts without the promised assistance coming by.

It is a strange coincidence that even on the trade front, a similar exercise is currently underway if events during the last fortnight are any indication. Under the banner of “reforms” of the trading rules at the World Trade Organization (WTO), attempts are being made to dilute or eliminate the special and differential treatment for developing countries and deny the “policy” space for further industrialization. Like the Katowice deal struck between three dominant polluters, the WTO reform proposals are also seeking to arrive at trade deals with the participation of two or more countries, a la plurilateralization.

Without addressing the real life-and-death issue of the likely disappearance of the highest adjudicating body for enforcing trade rules, the Trump administration is calling the shots at WTO almost along the lines of what it did at Katowice, where it had hosted a pro-fossil fuel event on the sidelines of the talks. “The reform proposals on the table (at the WTO) are not acceptable to the developing countries,” Rob Davies, South Africa’s trade minister, said on 7 December in an interview. “These proposals for modernizing WTO will make an unbalanced multilateral trading system even worse by bringing differentiation and by curtailing the policy space for industrial and economic development.”

Govt working on new e-commerce policy: Suresh Prabhu

New Delhi, December 18, 2018: The commerce and industry ministry is working on a new e-commerce policy to boost the fast growing online retail as well as protect the interest of small retailers, sources said.

The government has already set up a group of secretaries to look into the issues of the sector.

The ministry is committed to preparing the policy to boost the growth of the sector, sources said. The move came after concerns were raised on some proposals of the draft e-commerce policy, which was prepared after consultations with several stakeholders, including industry chambers.

The draft e-commerce policy had suggested several steps to promote the growth of the sector. It had stated that online retail firms may have to store user data exclusively in India in view of security and privacy concerns. It had also said that any group company of an online retailer or marketplace may not be allowed to directly or indirectly influence the price or sale of products and services on its platform, a move that could completely restrict e-tailers from giving deep discounts.

The draft had suggested to introduce a pre-set timeframe for offering differential pricing or deep discounts by e-commerce players to customers.

Meanwhile, Commerce and Industry Minister Suresh Prabhu informed Parliament the formulation of e-commerce policy is under consideration of the government for which no timeline has been fixed.

Traders body Confederation of All India Traders (CAIT) has time and again raised concerns over heavy discounts being provided by certain online-retailers.

CAIT Secretary General Praveen Khandelwal said that they have written to finance and commerce ministers suggesting them to take steps to check these discounts as they are leading to predatory pricing.

“We have recently met officials of the ministry, who are making the new e-commerce policy. We have urged to put certain clauses to check e-commerce firms giving huge discounts and freebies as it is damaging the trade fabric of the country,” he said.

He added that e-tailers are giving discounts for the last four-five years and these were seriously damaging small retailers.

Framing of a new policy also assumes significance as rich member nations of the World Trade Organisation (WTO) are pushing to frame global norms for e-commerce trade.

Safeguard duty on steel: India appeals against WTO's panel ruling

The Times of India

December 28, 2018: India has challenged the WTO dispute panel's ruling that the country's move to impose safeguard duty on some iron and steel products was inconsistent with certain global trade norms, an official said.

The appellate body and the panel are part of the World Trade organisation's (WTO) dispute settlement mechanism. It is a 164-member multilateral body which make rules related to global exports and imports.

"On December 14, India notified the WTO's dispute settlement body of its decision to appeal to the Appellate Body on certain issues of law and legal interpretations in the panel report, the official said.

The issue pertains to a case filed by Japan in December 2017 against India's decision to impose safeguard duty on some iron and steel products.

The Geneva-based appellate body can uphold, modify or reverse legal findings and conclusions of WTO's dispute panel and its reports. If the body's ruling goes against India, the country will have to comply with the order in six-seven months.

"India has challenged certain points of the panel's ruling," the official added.

Although the WTO's dispute panel ruled against India, interestingly the duty imposed by India has already ended in March this year.

Japan, which is the second largest steel producer in the world, had alleged that duties imposed by India violated WTO trade norms.

In September 2015, India imposed provisional safeguard duty of 20 per cent on import of certain categories of steel with a view to protect domestic producers. Later, it was reduced and extended till March this year.

The dispute assumes significance as India and Japan implemented a comprehensive free trade agreement in 2011. It gave easy access to Japan in the Indian steel market.

The bilateral trade between the countries stood at USD 15.7 billion in 2017-18. Trade is highly in favour of Japan as the trade deficit stood at about USD 11 billion in that fiscal.

Each appeal is heard by three members of an Appellate Body comprising persons of recognized authority and unaffiliated with any government. Each member of the Appellate Body is appointed for a fixed term. Generally, the Appellate Body has up to 3 months to conclude its report.

Opec holds the key to Indian economy's fortunes in 2019

Arjun Srinivas, Live Mint

New Delhi, December 27, 2018: Even as foreign institutional investors pull out money from the country, the rupee is witnessing a smart recovery over the past few trading sessions. The reason behind this paradox is simple: falling crude oil prices, which is hovering near the $50 per barrel mark for the first time in 16 months.

Oil has been the major bugbear of the Indian economy. A sharp rise in oil prices this year raised fresh concerns about India's outsized dependence on oil imports. The fears of widening current account and fiscal deficit had spooked investors and made the rupee the worst-performer among emerging markets currencies.

The decline in oil prices seems to have reversed the rupee-dollar trade.

However, the fundamental weaknesses in India's macroeconomic balance sheet remain. Owing to populist pressures ahead of elections in 2019, the fisc is under strain, and sluggish export growth has left the current account vulnerable to shocks. A spike in oil prices, could therefore widen the twin deficits once again. The trajectory of oil prices will have as much bearing on the health of the economy in 2019 as it did in 2018.

What makes 2019 different though is the near-consensus on a decline in global growth, which is expected to temper oil prices, at least in the first half of the next calendar year. The growth slowdown in the largest economies of the world has already begun. According to provisional estimates of the Organization for Economic Cooperation and Development (OECD), real GDP growth of G20 countries eased to 0.8% in the third quarter of 2018, from 1% in the previous quarter.

Ten years after the global financial crisis of 2008, the world is yet to recover from its after-effects. The rising tide of protectionism in the post-crisis world has only served to dampen the recovery by slowing down trade and investment flows across the world.

With US-China tensions escalating over the arrest of a Chinese telecom executive in Canada, the prospects of a prolonged tariff-cum-technology conflict appear very real.

Projections by the World Trade Organization (WTO) show that growth in global trade is expected to slow down to 3.7% in 2019 from 3.9% in 2018.

The slowdown in the global macroeconomy is likely to dampen oil prices but the big unknown is the response of the oil cartel, Organization of the Petroleum Exporting Countries (Opec). Opec's influence on global crude oil prices has diminished as production outside the cartel, primarily by the US and Russia, has grown.

Yet, with Opec members continuing to be the major producer of crude oil in 2019, they will wield significant influence on oil markets globally. Oil production cuts by Opec would therefore continue to add volatility to oil markets globally in the coming year.

For now, investors seem to be betting on subdued oil prices in the coming months, with speculators turning increasingly bearish over the past few months.

The decline in oil prices has made India a more attractive destination compared to earlier. But policymakers and investors would do well not to ignore the fundamental weaknesses in India's macroeconomic balance sheet which the oil price shock of 2018 brought to the fore.