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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.

Take a stand

India Express

December 14, 2018: On November 21, the price of crude crashed. It recovered slightly, but there was considerable ferment in markets. Energy and finance experts don't like to be told that energy price rises give a pass for most corporates, but a number of studies have shown that a fall in crude prices is generally not passed on to the consumer. Economists call this the ratchet effect in the sense that there is asymmetry in the impact of falling, as compared to rising prices of something as important as fuel. But while prices may be sticky on this count, India is a crude short economy and these events do reflect on the bottom line.

Two days before the crude price fell, Commerce Minister Suresh Prabhu declared that "Old issues at the WTO cannot be forgotten; new ones to be addressed too" (emphasis added). The honourable minister, with this single declaration at the conference on "Strategic Alliance for WTO and Trade Remedies Law and Practice", organised by FICCI and Lakshmikumaran & Sridharan, give up on behalf of the Government of India a position that India has fought for decades for its farmers and for food subsidies to its poor. Interestingly, the minister aligned himself and our country with the interest of the corporate sector and its substantial links with multinationals and global financing agencies. He also hit a blow on India's leadership of the developing countries on this issue. I am not generally prone to strong language, but the occasion demands a stand.

In 2018, India has rapidly modified a position it had held for decades in the agricultural globalisation debates. The 11th Ministerial Conference of the WTO was held at Buenos Aires in Argentina from December 10-13, 2017. PTI reported that the US administration informed the US Congress that India blocked a Ministerial Declaration at that conference taking a firm stand on special and differential treatment. But in March end 2018, Prabhu did give an indication of what was underway, when he reportedly said: "While some of the new issues being raised by others may also be of relevance to India, existing issues such as agriculture are critical livelihood issues which are extremely important for India." (emphasis added). But now this is official. With this statement, India changed a policy stand taken for more than two decades. To explain the move, it is necessary to go back in time.

In the field in a literal sense, the food security angle is still compelling. WTO's proposed restrictions on India's initiatives on food security are also sourced from our own pundits, working as experts with governments. But at a meeting of a corporate trust on social service on November 19, a field report showed that around two-fifths of the women in a tribal area were malnourished and more than two fifths anaemic. So, this WTO issue is not just an "academic one".

We must protect both food security and farmer support programmes. This would provide the basis for the "no challenge" clause Prabhu was reportedly working on to defend public stock holding in the green box over the 10 per cent subsidy limits, which he is now willing to give lower priority. This is important if India is to escape the trap of the so-called Peace Clause of either four or eight years, giving up eventual abolition of hunger over temporary relief from global grain cartels.

We need to take a stand. When the WTO was set up, Rajiv Gandhi held out until the end with his Brazilian counterpart and changed the discourse. At Doha, Murasoli Maran fought to the end for the livelihood clause despite his poor health. This is terribly important, for in the context of small holder agriculture and malnourishment, models which support agriculture without nuances of size are like the gifts the Greeks brought in wooden horses. A consistent stand is essential for as the DG of WTO — a friend from another developing country — pointed out, they will press for trade facilitation and our bargaining space will become narrower.

Why reforms at WTO could go against the interest of India?

Asit Ranjan Mishra, Live Mint

New Delhi, December 10, 2018: New Delhi is concerned that the G20 proclamation on reforming the World Trade Organization (WTO) could be used to change the consensus-driven character of the multilateral trade body, which could go against India’s interest.

“The G20 declaration suggests the developed countries will try to alter the consensus-based model of the WTO. They may propose a majority-driven model like the Trade Facilitation Agreement (TFA) or voting on the basis of assigned weights as done at the International Monetary Fund,” a government official with knowledge of India’s trade position said, requesting anonymity. Under the TFA signed within the WTO umbrella, once two-third of the members signed the deal, it came into effect while other countries were given time to join when ready. TFA benefits are available to WTO members only when they sign the deal.

The official quoted above said India will oppose any such move even though he foresaw a lonely battle ahead. “It will not be in our interest. Though China is currently opposed to it, they may be forced to accept. That would mean India and South Africa will be left alone opposing it,” he added.

At the G20 meeting in Buenos Aires on 1 December, leaders were able to agree on a paragraph on trade in their final declaration, though they avoided contentious issues like “protectionism”, “unilateral measures” and “unfair trade” due to differences between the US and China. “We recognize the contribution that the multilateral trading system has made to that end. The system is currently falling short of its objectives and there is room for improvement. We therefore support the necessary reform of the WTO to improve its functioning. We will review progress at our next summit,” the G20 declaration said.

WTO director general Roberto Azevêdo who attended the G20 meeting welcomed the communique, holding it to be a very important moment in tackling current challenges in global trade.

“I am now going back to Geneva (WTO headquarters) to discuss this and all the other issues surrounding it with the other WTO members. We will see how much we can build to improve the system and make it responsive for all WTO members,” he added.

India is often accused of stalling negotiations by taking advantage of the consensus-driven approach at the WTO under which even one member can block an agreement in the 164-member body.

At the WTO’s 11th Ministerial Conference in Buenos Aires in December 2017, India blocked an agreement that would have included a ministerial decision on fisheries subsidies; a work programme on electronic commerce and including an extension of the moratorium on customs duties on electronic transmissions, among others, because the declaration did not contain an affirmation of the special and differential (S&D) treatment for developing countries and the conclusion of the Doha Development Agenda (DDA).

The other issue that may come under stress is the S&D treatment for large developing countries like India and China. “Developed countries may get some developing countries like to voluntarily give up S&D. If countries like Kenya and Nigeria give up S&D benefits, that will put pressure on India. It is easy to create the feeling among African countries that large emerging economies like India are taking the S&D benefits that are meant for small developing and least developed countries. We need to counter that narrative,” the official added.

India gets WTO nod to establish dispute panel

D. Ravi Kant, Live Mint

Geneva, December 5, 2018: India on Tuesday secured the World Trade Organization’s (WTO’s) permission to establish a dispute settlement panel to rule on controversial unilateral duties imposed by the US on the imports of steel and aluminium under the controversial US Section 232 security provisions.

At a dispute settlement body meeting 4 December, India pressed ahead with its second request for establishing the panel on the grounds that the additional duties of 25% on steel products and 10% on aluminium imposed are “inconsistent with the US’ WTO obligations under the GATT (General Agreement on Tariffs and Trade) 1994 and the Agreement on Safeguards.”

The US blocked India’s first request on 21 November but, under WTO rules, when a complainant makes a second request the panel is automatically established. On Tuesday, Switzerland joined India in making a second request against the American duties.

In turn, India and Switzerland join seven members—China, the EU, Canada, Mexico, Norway, Turkey and Russia—who have already secured the nod for establishing the panel against the US.

"This collective resort to dispute settlement reflects the serious concern of the WTO Membership over the United States' actions," India said, emphasizing that "it also reflects trust and confidence in the WTO as forum for resolving international trade disputes." It called for a "single panel" to rule on the US tariffs, as all the complaints are related to the same matter. India said a single panel will be able to examine these disputes, "particularly given the complainants' willingness to coordinate and proceed in this matter."

At present, there are nine panels that are established and it remains to be seen whether a single panel will be constituted. Nevertheless, the panel proceedings will begin and the three members for the panel have to be agreed by the both sides. If there is no agreement among the complainants on the one side and the US on the other, then, the WTO director general will be asked to constitute the panel.

The US has warned that the legitimacy of the dispute settlement system and the viability of the trade body would be undermined if the WTO were to initiate panel proceedings against the additional duties. Washington issued several threats against the complainants, who have maintained that the additional duties are "safeguard" measures. The US has all along maintained that the additional duties are not safeguard measures.

The US has maintained that the duties imposed on steel and aluminium are "issues of national security and political matters not susceptible to review or capable of resolution by WTO dispute settlement."

"If the WTO were to undertake to review an invocation of Article XXI [security exceptions], this would undermine the legitimacy of the WTO's dispute settlement system and even the viability of the WTO as a whole," the US has said. It has warned that "infringing on a sovereign's right to determine, for itself what is in its own essential security interests would run exactly contrary to the WTO reforms that are necessary in order for this organization to maintain any relevancy."

India asks WTO to set up panel against US for high import duty on steel, aluminium

Live Mint

New Delhi, November 20, 2018: Taking forward its trade dispute with America in the World Trade Organization (WTO), India asked the Geneva-based multilateral body to set up a panel against the US for imposing high import duties on certain steel and aluminium products, an official said.

India took this decision after both countries failed to resolve the issue in a bilateral consultation process under the dispute settlement mechanism of the WTO.

Consultation is the first step of the dispute settlement process in the organisation. If two countries are not able to reach a mutually agreed solution through consultation, a country can request for a WTO dispute settlement panel to review the matter.

“So, now, India has asked the WTO for establishment of the dispute panel on the matter,” the official said.

Imposition of high import duties on these items by the US affected exports of these products by Indian businesses. The US move is also not in compliance with global trade norms.

Besides India, Russia, Norway, Canada, Mexico, Switzerland, and European Union had dragged the US in the WTO on America’s move to impose 25% and 10% import duties on certain steel and aluminium products, respectively, which triggered global trade tensions.

“We discussed the matter with all these countries. A common dispute panel could be formed on the matter,” the official added.

According to estimates, India exports steel and aluminium goods worth about $1.6 billion a year to America.

The US had imposed these duties on grounds of national security.

Biswajit Dhar, professor of economics at Jawaharlal Nehru University, said the US decision will impact India’s export of these goods and hit global trade. “The entire basis of the US action is based on its own perception of security threat issue. This cannot be a ground to impose these duties.”

Some experts, however, said that dragging the US in the dispute over the issue was not in favour of India, since New Delhi had a trade surplus with America.

India’s exports to the US stood at about $48 billion in 2017-18 , while imports were $26.7 billion.

Both countries are also involved in several other disputes in the WTO, including in the areas of poultry, export incentives, solar and steel.

In retaliation to the imposition of duties by the US, India had decided to increase customs duty on 29 American products such as almond, walnut, pulses and iron and steel items. The duties would come into effect from December 17.

WTO to set up panels to rule on Trump’s tariff disputes

Live Mint

Geneva, November 21, 2018: The United States and opponents of President Donald Trump's steel and aluminium tariffs both confirmed their wish to litigate on Wednesday, triggering the procedure for World Trade Organization (WTO) dispute hearings, a Geneva trade official said.

China, the European Union, Canada, Mexico, Norway, and Russia all confirmed they would escalate their disputes by starting adjudication proceedings, while the United States confirmed its wish for dispute panels against Canada, China and the EU.

"The United States cannot abide this level of hypocrisy," a US official told the meeting in response to each challenge to the steel and aluminium tariffs, according to a transcript of remarks provided to *Reuters*.

Washington says the metals tariffs, imposed by Trump in March, are a national security measure, and therefore exempt from WTO rules.

"Infringing on a sovereign's right to determine, for itself, what is in its own essential security interests would run exactly contrary to the WTO reforms that are necessary in order for this organization to maintain any relevancy," the US official said.

Other countries disagree, saying they are thinly disguised protectionism that damages US rivals globally. They say the United States should compensate them for the damage, and have imposed their own tariffs in response.

The WTO's rules are designed to settle disputes peacefully wherever possible by encouraging countries to bring their policies into line with the rules, rather than litigating.

Countries hit with a dispute have one chance to block the request to set up a three-person adjudication panel. In the disputes over Trump's tariffs, both sides played that card last month, and neither side subsequently showed any sign of stepping back.

Similar adjudication requests by Turkey against the United States and by the United States against Mexico are likely to be confirmed later on Wednesday.

The WTO also agreed to a US request for a dispute panel to rule on a US intellectual property complaint against China.

US accuses China of continuing IP theft as WTO launches probe

Shawn Donnan and Jenny Leonard, Bloomberg, Live Mint

Washington, November 21, 2018: The US accused China of continuing a state-backed campaign of intellectual property and technology theft as the World Trade Organization said it would establish a dispute panel to rule on the complaint.

The new accusations came in a detailed 53-page report released by US Trade Representative Robert Lighthizer's office just 10 days before President Donald Trump is due to meet Chinese President Xi Jinping on the sidelines of a 30 November -1 December Group of 20 summit in Buenos Aires.

The timing of the report's release appeared to be a move by some of the more hawkish members of Trump's administration, such as Lighthizer, to bolster their case ahead of the summit and as other cabinet members such as Treasury Secretary Steven Mnuchin push for a resumption of negotiations.

"China fundamentally has not altered its acts, policies, and practices related to technology transfer, intellectual property, and innovation, and indeed appears to have taken further unreasonable actions in recent months," the report said.

Separately, the WTO agreed on Wednesday to launch a dispute investigation into the US allegations. The Geneva-based trade organization will task a panel of three experts to determine whether China's policies violate WTO terms. A decision could be rendered as soon as next year.

In the USTR report the US accused China of continuing a state-backed campaign of cyber-attacks on American companies that were both intensifying and growing in sophistication.

In response to questions about the report, a spokesman for China's foreign ministry on Wednesday said US officials should read a white paper published by the government in September that claims China 'firmly protects' intellectual property rights.

China Telecom

As an example, it cited an October 2018 report by experts from the US Naval War College and Tel Aviv University that found that China Telecom may be engaging in a 'malicious' campaign to 'hijack Internet traffic and direct it through Mainland Chinese servers for possible collection and analysis."

The report accused China of responding to the US government's concerns over its "Made in China 2025" policy to lead the world in sectors such as artificial intelligence and robotics by waging a propaganda campaign to play down its significance rather than making substantive changes.

"Despite this transparent attempt to de-emphasize Made in China 2025 in public, China continues to implement this industrial policy on a large scale," the report said.

According to the updated USTR report, Beijing had made only incremental changes to its restrictions on foreign investment in certain sectors in China since the US first released an original March report used to justify the tariffs on $250 billion in Chinese imports imposed by the Trump administration.

The report also said while Chinese foreign-direct investment in the US had fallen in 2018, there were signs that it was becoming more focused on the sort of tech startups that the Trump administration was eager to protect. "In particular, Chinese [venture capital] investment in US technology centers such as Silicon Valley has intensified in recent months," its authors wrote.

G-20 agenda

Derek Scissors, a China expert at the conservative American Enterprise Institute, said the report's release appeared to be an effort by Lighthizer to influence negotiations ahead of the G-20. "USTR is trying to take some issues entirely off the table for the G-20, in case the Chinese want something in exchange for 'canceling Made in China 2025'," Scissors said.

A USTR official told *Bloomberg* that the report's release on Tuesday was meant only to document China's continuing practices and indicated the US still hopes to make progress at the G-20 summit.

'This reflects the thinking of the hawkish in the Trump's trade team, and they are trying to raise their concerns,' said Henry Wang, at the Center for China and Globalization, a Beijing-based think tank. But there are also the dovish voices like Mnuchin and Kudlow, so this is not necessarily going to derail the summit, he said. 'What's important is what the two leaders will say. That will eventually set the tone,' Wang said.

Larry Kudlow, the head of Trump's National Economic Council, said on Tuesday that the two sides were engaged in continuing discussions ahead of the G-20 meeting and that Trump believed Beijing was interested in a deal.

"He believes that China would like to have a deal,' Kudlow said in an interview with Fox Business Network, adding that "very detailed communications" were taking place at all levels of government.

China says WTO facing 'profound crisis', urges it to ensure fairness

Live Mint

Beijing, November 23, 2018: China said on Friday the World Trade Organization (WTO) is having a "profound crisis" and urged it to close loopholes and correct practices by member states that damage the global trading system.

Vice Commerce Minister Wang Shouwen said the WTO should prioritize resolving a deadlock in appointments to its Appellate Body, which have been blocked by the United States which blames the dispute settlement body's judges for hampering a US campaign against what it sees as unfair trade practices.

"The WTO should prioritize key issues that threaten the institution's existence," Wang told a news conference in Beijing.

The reforms should uphold core WTO values, ensure fairness and protect developing countries' interests, Wang said.

He also took aim at what he called "excessive" agriculture subsidies enjoyed exclusively by developed countries.

"China opposes some countries' exploitation of loopholes in the existing system to realize their protectionist goals," he said, without naming any countries.

Wang said agriculture subsides had distorted prices and were unfair to developing nations.

Wang said China opposed using WTO reform as a way to deprive China of the right to enjoy differentiated treatment as a developing country, adding China's development model should not be questioned.

Ideas about reforming the WTO have been largely driven by US complaints that it has failed to police suspected Chinese rule-breaking, with US President Donald Trump threatening a withdrawal to protect American interests.

The United States wants the WTO to crack down on China's subsidies for state-backed enterprises, overcapacity in steel and other basic industries, and on the practice of forcing investors to hand over valuable technology.

Superpowers and technology – Chip wars: China, America and silicon supremacy

Financial Express

December 1, 2018: The trade disputes the American President Donald Trump relishes have an old-fashioned feel. Tariffs are the principal weapons. Old-economy markets, from cars to steel, are the main battlefields. Farmers and factories preoccupy the president. And his personal chemistry with other powerful men can make or break deals. Hence the focus on the meeting between Mr Trump and Xi Jinping at this week's G20 summit, which is taking place in Buenos Aires, Argentina.

Yet the trade conflict that matters most between America and China is a 21st-century fight over technology. It covers everything from artificial intelligence (AI) to network equipment. The fundamental battleground is in semiconductors. The chip industry is where America's industrial leadership and China's superpower ambitions clash most directly. And whatever Messrs Trump and Xi say at the G20, this conflict will outlast them both.

That is because computer chips are the foundations of the digital economy and national security. Cars have become computers on wheels. Banks are computers that move money. Armies fight with silicon as well as steel (see 'The semiconductor industry and the power of globalisation'; https://goo.gl/fVeD2P). Firms from America and its allies, such as South Korea and Taiwan, dominate the most advanced areas of the industry. China, by contrast, remains reliant on the outside world for supplies of high-end chips. It spends more on semiconductor imports than it does on oil. The list of the top 15 semiconductor firms by sales does not contain a single Chinese name.

Well before Mr Trump arrived on the scene, China made plain its intention to catch up. In 2014, the government in Beijing announced a 1 trillion yuan ($150 billion) investment fund to improve its domestic industry. Semiconductors feature prominently in "Made in China 2025", a national development plan issued in 2015.

China's ambitions to create a cutting-edge industry worried Mr Trump's predecessor. Barack Obama blocked Intel from selling some of its whizziest chips to China in 2015, and stymied the acquisition of a German chipmaker by a Chinese firm in 2016. A White House report before he left office recommended taking action against Chinese subsidies and forced technology transfer. Other countries are alarmed, too. Taiwan and South Korea have policies to stop purchases of domestic chip firms by Chinese ones and to dam flows of intellectual property.

Although the chip battle may have pre-dated Mr Trump, his presidency has intensified it. He has made a national champion of Qualcomm, blocking a bid for it from a Singaporean firm for fear of Chinese competition. Earlier this year, an export ban on selling American chips and software to ZTE, a Chinese telecommunications firm in breach of sanctions, brought it to the brink of bankruptcy within days. Startled by the looming harm, and (he says) swayed by appeals from Mr Xi, Mr Trump swiftly backtracked. Two things have changed.

First, America has realised that its edge in technology gives it power over China. It has imposed export controls that affect on Fujian Jinhua, another Chinese firm accused of stealing secrets, and the White House is mulling broader bans on emerging technologies.

Second, China's incentives to become self-reliant in semiconductors have rocketed. After ZTE, Mr Xi talked up core technologies. Its tech giants are on board: Alibaba, Baidu and Huawei are ploughing money into making chips. And China has showed that it can hinder American firms. Earlier this year, Qualcomm abandoned a bid for NXP, a Dutch firm, after foot-dragging by Chinese regulators.

Neither country's interests are about to change. America has legitimate concerns about the national-security implications of being dependent on Chinese chips and vulnerable to Chinese hacking. China's pretensions to being a superpower will look hollow as long as America can throttle its firms at will. China is destined to try to catch up; America is determined to stay ahead.

The hard question is over the lengths to which America should go. Protectionists in the White House would doubtless like to move the semiconductor supply chain to America. Good luck with that. The industry is a hymn to globalisation. One American firm has 16,000 suppliers, over half of them abroad. China is a huge market for many firms. Qualcomm makes two-thirds of its sales there. Trying to cleave the industry into two would hurt producers and consumers in America. And it would be a bluntly antagonistic act, which would make no distinction between unfair and genuine competition.

In the long run, it may be futile, too. Today America has the edge over China in designing and making high-end chips. It can undoubtedly slow its rival. But China's progress will be hard to stop. Just as Silicon Valley's rise rested on the support of the American government, so China blends state and corporate resources in pursuit of its goals. It has incentive programmes to attract engineering talent from elsewhere, notably Taiwan. Firms like Huawei have a proven ability to innovate; blocking the flow of Intel chips in 2015 only spurred China on to develop its domestic supercomputing industry.

Moreover, China's bid to become a global semiconductor powerhouse is propitiously timed. For decades, the chip industry has been driven forward by Moore's law, under which the capabilities of a chip of a given size double every two years. But Moore's law is reaching its physical limits. As everyone jumps to new technologies, from quantum computing to specialised AI chips, China has a rare chance to catch up.

The right approach for America, therefore, has three strands. The first is to work with its allies in Europe and Asia to keep pushing back against unfair Chinese practices (such as forced technology transfer and intellectual-property theft) at the World Trade Organisation (WTO), and to screen out inward Chinese investments when security justifies it.

The second is to foster domestic innovation. More government funding is already going into chip research; greater openness to talent is needed. And the third is to prepare for a world in which Chinese chips are more powerful and pervasive. That means, among other things, developing proper testing procedures to ensure the security of Chinese-made products; and tightening up on data-handling standards so that information is not being sprayed about so carelessly.
Measures such as these will not make the headlines at the G20. But they will do more to shape the world in the years ahead.

G20 draft communique avoids explicit anti-protectionist pledge: report

Live Mint

Washington, November 21, 2018: The Group of 20 industrialized nations is drafting a communique that will exclude an explicit pledge to fight protectionism, which could help avoid a repetition of friction between US President Donald Trump and world leaders at last year's summit, the *Financial Times* reported on Wednesday.

The draft communique obtained by the *FT* calls for countries to keep markets open, preserve multilateral trade, and ensure a level playing field, the newspaper reported. The document could change before the 2018 summit begins in Buenos Aires on Nov. 30, it said.

However, there is no explicit commitment to fight protectionism, the *FT* reported. Anti-protectionist terminology has been part of G20 pledges since the forum was created in 2008, the newspaper said.

Since his inauguration in 2017, Trump has promoted a more protectionist stance in trade by seeking to create bilateral trade agreements and renegotiate multilateral agreements.

He has imposed steep tariffs on imports from countries he believes take advantage of the United States, targeting China in particular, and has threatened to leave the World Trade Organization (WTO).

The G20 meeting, where Trump will meet with Chinese President Xi Jinping, is likely to be dominated by the trade war between the United States and China.

The draft communique also instructs trade ministers to "develop proposals to ensure that the WTO continues to be relevant" and increase funding for the International Monetary Fund, but will soften its language on climate change, the *FT* said.

BRICS slam protectionism as China-US spat overshadows G20 Summit talks

Financial Express

December 1, 2018: Chinese President Xi Jinping and the leaders of major developing economies condemned protectionism at a G20 summit in Argentina on Friday overshadowed by U.S. President Donald Trump's threat to escalate tariffs on China. This year's two-day gathering is a major test for the Group of 20 industrialized nations, whose leaders first met in 2008 to help rescue the global economy from the worst financial crisis in seven decades. With a rise in nationalist sentiment in many countries, the G20 – which accounts for two-thirds of the world population – faces questions over its ability to deal with trade tensions, which have roiled global markets.

Hanging over the summit in Buenos Aires is the trade dispute between the United States and China, the world's two largest economies, which have imposed tariffs on hundreds of billions of dollars worth of each other's imports after Trump launched an effort to correct what he views as China's unfair commercial practices. Global financial markets will take their lead next week from the outcome of talks between Trump and Xi over dinner on Saturday, aimed at resolving differences that are weighing on global economic growth.

Xi and other leaders from the BRICS group of leading emerging economies – Brazil, Russia, India, China and South Africa – issued a statement calling for open international trade and a strengthening of the World Trade Organization (WTO).

"The spirit and rules of the WTO run counter to unilateral and protectionist measures," they said. "We call on all members to oppose such WTO-inconsistent measures, stand by their commitments undertaken in the WTO." Beijing hopes to persuade Trump to abandon plans to increase tariffs on $200 billion of Chinese goods to 25 percent in January, from 10 percent at present.

U.S. stocks closed higher on Friday on hopes that a deal could be reached. Trump said there had been some positive signs.

“We’re working very hard. If we could make a deal that would be good. I think they want to. I think we’d like to. We’ll see,” he said. A Chinese foreign ministry official in Buenos Aires said there were signs of increasing consensus ahead of the discussions, although differences remained.

SEEKING COMMON GROUND

On the eve of the summit, G20 nations were still trying to reach consensus on wording for the summit’s communique on major issues including trade, migration and climate change, which in past years have been worked out well in advance. Officials hammering out the communique, known as “sherpas,” said they expected to work into the night. “This has been an unprecedentedly long drafting,” said Russia’s sherpa, Svetlana Lukash. “It’s very complicated,” she said, adding that differences remained on all the key issues.

Earlier in November, officials from countries attending a major Asia-Pacific summit failed to issue a joint statement for the first time after the U.S. delegation clashed with China over trade and security. However, delegates to the Buenos Aires talks said good progress had been made on economic sections of the final communique. Argentina’s presidency voiced cautious optimism that consensus would be reached, but a White House official said the United States would walk away from any statement that prejudiced U.S. interests.

Highlighting the deep rifts within the G20, European Council President Donald Tusk said the European Union would extend its economic sanctions on Moscow in December, after Russian ships fired on Ukrainian vessels in the Sea of Azov last week, seizing the boats and sailors.

“As this is a difficult moment for international cooperation, I would like to appeal to the leaders to use this summit … to seriously discuss real issues such as trade wars, the tragic situation in Syria and Yemen and the Russian aggression in Ukraine,” Tusk told a news conference.

Trump cited Russia’s seizure of the ships as the reason he canceled a planned bilateral meeting with Russian President Vladimir Putin, where they had been expected to discuss the U.S. leader’s threat to withdraw from the Cold War-era Intermediate-Range Nuclear Forces treaty.

Moscow said U.S. domestic politics may have been the real reason behind the cancellation after Trump’s former personal lawyer pleaded guilty on Thursday to lying to Congress about a proposed Trump Organization skyscraper in the Russian capital. A White House spokeswoman denied this and Trump said on Friday the ships’ seizure was the “sole reason” he scratched the meeting. A Kremlin spokesman said Putin was ready to continue talks with Trump.

LONELY SAUDI PRINCE

The presence of Crown Prince Mohammed bin Salman at the summit also raised an awkward dilemma for leaders, and Saudi Arabia’s de facto leader cut a lonely figure standing at the edge of the G20 family photo. Prince Mohammed arrived under swirling controversy over the murder of Saudi journalist Jamal Khashoggi in the Saudi consulate in Istanbul on Oct. 2. Human Rights Watch asked Argentine prosecutors to investigate him for human rights abuses.

U.S. Secretary of State Mike Pompeo and Saudi Foreign Minister Adel al-Jubeir discussed the importance of making progress in the investigation into Khashoggi’s killing during talks in Buenos Aires on Friday, the U.S. State Department said. British Prime Minister Theresa May told the prince that the killers of Khashoggi should be held to account, her office said after the two leaders met. Saudi Arabia said the prince had no prior knowledge of the murder.

French President Emmanuel Macron told the prince in a separate meeting that Europeans will insist on international experts being part of the investigation into Khashoggi’s killing. Oil markets were awaiting a bilateral meeting between Putin and Prince Mohammed on Saturday afternoon for any sign that Russia will participate in a production cut by the OPEC oil cartel next month. Putin was the only leader to exchange a warm greeting with the prince, high-fiving him when he entered the main summit room.

TRUMP AND TRADE

One bright spot before the summit opened was the signing of a revised U.S.-Mexico-Canada trade pact to replace the North American Free Trade Agreement. Signing the agreement alongside Canadian Prime Minister Justin Trudeau and Mexican President Enrique Pena Nieto, Trump said he looked forward to working with the U.S. Congress to complete the terms of the deal and did not anticipate problems.

The three countries agreed a deal in principle to govern their trillion dollars of mutual trade after a year and a half of contentious talks concluded just an hour before a deadline on Sept. 30. Trudeau still had a few barbs on Friday. He called the deal by its old name NAFTA, prodded Trump over U.S. steel and aluminum tariffs and said General Motors Co's decision to cut production and its North American workforce, including in Canada, was a "heavy blow."

When giants clash: on the US-China discord

The Hindu

November 21, 2018: Breaking with more than a quarter-century of history, the Asia-Pacific Economic Cooperation (APEC) organisation wrapped up its summit with no joint communiqué issued. Its leaders, principally led by the U.S. and China, clashed over the proposed wording of the document. The economic rivalry between Washington and Beijing appeared to fracture the 21-nation summit into two segments. The source of the friction stemmed from the Trump administration's "America First" policy, under which Washington led the charge on "unfair trade practices". This was an implicit accusation that China wasn't levelling the playing field in global trade. The U.S. has been urging China to increase market access and grant intellectual property protections for American corporations, cut back on industrial subsidies and, at a broader level, bring down the $375-billion trade gap. Vice President Mike Pence, who attended on the President's behalf, also hinted at strategic pushback when he called upon nations to eschew loans that could leave them in a debt trap with Beijing. The Chinese message at the plenary was a strategic one too: President Xi Jinping did not mince words in touting Beijing's Belt and Road Initiative. The BRI has worried smaller Asian nations and the U.S., particularly given that China views the Asia-Pacific landscape as a means to secure economic predominance worldwide.

To understand what this clash of the global economic titans portends for the world trading system, it is instructive to examine the path of their mutual conflict thus far. The troubles began over the summer when both countries started taxing $50 billion worth of the other's imports, followed by the U.S. slapping $200 billion of Chinese exports with a 10% tariff, to be ratcheted up to 25% by the year-end. China, unsurprisingly, retaliated with a promise to impose reciprocal taxes to the tune of $60 billion. Already, the tariff war has resulted in the IMF downgrading its global growth outlook for this year and the next to 3.7%, down 0.2 percentage points from an earlier forecast. If this continues, eventually global supply chains may be hit, and shrinking trade volumes may cause companies to seek out new trading routes and partners. Institutionally, multilateral rule-making bodies such as the WTO may lose their authority, and an interlocking system of bilateral trade treaties and punitive sanctions networks may substitute the consensus-based approach that was forged so painstakingly after World War II. Asia will be at the heart of this war of attrition because strategic control of its high-value maritime trading routes is the key to China's dreams of global trade dominance. After the APEC summit the world is still poised on the edge of the trade war vortex. The forthcoming G20 meeting in Argentina offers an opportunity to pull back from the brink.

US-China summit ends with signals of progress in defusing trade war

The Indian Express

December 14, 2018: US President Donald Trump and Chinese President Xi Jinping held high-stakes trade talks in Argentina on Saturday, and both sides signalled they made progress toward defusing a damaging tariffs war between the world's two largest economies.

With the United States and China locked in an economic dispute that has unnerved global financial markets and weighed on the world economy, Trump and Xi sat down with their aides for a working dinner at the conclusion of a two-day gathering of world leaders in Buenos Aires.

After the 2-1/2 hour meeting, White House chief economist Larry Kudlow told reporters the talks went “very well,” but offered no specifics as he boarded Air Force One headed home to Washington with Trump.

Suggesting that at least a partial truce may have been reached to reduce trade tensions, Chinese state television said “no additional tariffs will be imposed after January 1, and negotiations between the two sides will continue,” without giving details.

Beijing’s goal was to persuade Trump to abandon plans to hike tariffs on $200 billion of Chinese goods to 25 per cent in January, from 10 per cent at present. Trump has threatened to go ahead with that and possibly add tariffs on $267 billion of imports if there is no progress in the talks.

The closely watched encounter came shortly after the Group of 20 industrialized nations on Saturday backed an overhaul of the global body that regulates international trade disputes, marking a victory for Trump, a sharp critic of the organization.

Trump told Xi at the start of their meeting he hoped they would achieve “something great” on trade for both countries.

He struck a positive note as he sat across from Xi, despite the US president’s earlier threats to impose new tariffs on Chinese imports as early as the start of next year.

He suggested that the “incredible relationship” he and Xi had established would be “the very primary reason” they could make progress on trade, though he offered no sense of how they might resolve the main issue dividing their countries.

Xi told Trump that only through cooperation could the United States and China serve the interest of peace and prosperity. Washington and Beijing have also increasingly been at odds over security in the Asia-Pacific region.

At the same time, Trump again raised with Xi his concern about the synthetic opioid fentanyl being sent from China to the United States, urging the Chinese leader to place it in a “restricted category” of drugs that would criminalize it.

The talks between Trump and Xi were widely seen as the most important meeting of US and Chinese leaders in years.

Afterwards, the editor of a major Chinese state-run newspaper also had a positive assessment of the outcome. “Based on information I received, talks between Xi and Trump went well and consensus was reached,” Hu Xijin, the editor of the Global Times, published by the ruling Communist Party’s official People’s Daily, wrote on Twitter, without giving details.

WTO REFORMS

Earlier on Saturday, the leaders of all the world’s top economies called for reforms to the crisis-stricken World Trade Organization in a final statement from their summit.

Officials expressed relief that agreement on the summit communique was reached after negotiators worked through the night to overcome differences over language on climate change.

The final text recognized trade as an important engine of global growth but made only a passing reference to “the current trade issues” after the US delegation won a battle to keep any mention of protectionism out of the statement.

In addition to tariffs on Chinese goods, Trump has imposed tariffs on steel and aluminums imports into the United States this year. Numerous countries have filed litigation at the WTO to contest the levies.

The United States is unhappy with what it says is the WTO’s failure to hold Beijing to account for not opening up its economy as envisioned when China joined the body in 2001. The European Union is also pushing for sweeping changes to how the WTO operates. “Notwithstanding our differences, we have been able to agree a path forward at the G20," French President Emanuel Macron told a news conference. "The United States has endorsed a clear multilateralist text."

G20 delegates said negotiations on the final summit statement proceeded more smoothly than at a meeting of Asian leaders two weeks ago, where disagreements on protectionism and unfair trading practices prevented a consensus.

Consensus eludes APEC meet amid US-China trade tensions

Philip Wen, Jonathan Barrett and Tom Westbrook, Reuters, Live Mint

Port Moresby, November 19, 2018: Asia-Pacific leaders failed to agree on a communique at a summit in Papua New Guinea on Sunday for the first time in their history as deep divisions between the United States and China over trade and investment stymied cooperation.

Competition between the United States and China over the Pacific was also thrown into focus with the United States and its Western allies launching a coordinated response to China's Belt and Road programme.

"You know the two big giants in the room," Papua New Guinea (PNG) Prime Minister Peter O'Neill said at a closing news conference, when asked which of the 21 members of the Asia-Pacific Economic Cooperation (APEC) group could not agree.

O'Neill, who was chairman of the meeting, said the sticking point was over whether mention of the World Trade Organization and its possible reform should be in the Leaders' Declaration.

"APEC has got no charter over World Trade Organization, that is a fact. Those matters can be raised at the World Trade Organization."

The multilateral trade order that APEC was established in 1989 to protect is crumbling as Chinese assertiveness in the Pacific and US tariffs strain relations in the region and divide loyalties.

A Leaders' Declaration has been issued after every annual APEC leaders' meeting since the first in 1993, the group's website shows.

O'Neill said that as APEC host, he would release a Chairman's Statement, though it was not clear when.

US President Donald Trump did not attend the meeting and nor did his Russian counterpart, Vladimir Putin.

US Vice President Mike Pence attended instead of Trump.

Chinese President Xi Jinping arrived to great fanfare on Thursday and was feted by PNG officials. He stoked Western concern on Friday when he met Pacific island leaders to pitch his Belt and Road initiative.

The United States and its allies, Japan, Australia and New Zealand, countered on Sunday with a $1.7 billion plan to deliver reliable electricity and the internet to PNG.

Pacific theatre

Wang Xiaolong, a senior economic official with China's APEC delegation, said of the failure to agree on a joint statement that it was "not exactly a sticking point between any particular two countries".

Most members affirmed their commitment to preserving the multilateral trading system and supported a robust and well-functioning WTO, he said.

"Frankly speaking, we are in a very early stage of those discussions and different countries have different ideas as to how to take that process forward," Wang said.

One diplomat involved in the negotiations said tension between the US and China, bubbling all week, erupted when China's top diplomat, Wang Yi, objected during a leaders' retreat to two paragraphs in a draft document seen by Reuters.

One mentioned opposing "unfair trade practices" and reforming the WTO, while another concerned sustainable development.

"These two countries were pushing each other so much that the chair couldn't see an option to bridge them," said the diplomat, speaking on condition of anonymity.

"China was angered that the reference to WTO blamed a country for unfair trade practices."

Pence said in a blunt speech on Saturday there would be no end to U.S. tariffs on $250 billion of Chinese goods until China changed its ways. On Sunday, as he left the PNG capital of Port Moresby, he listed U.S. differences with China.

“They begin with trade practices, with tariffs and quotas, forced technology transfers, the theft of intellectual property. It goes beyond that to freedom of navigation in the seas, concerns about human rights,” Pence told reporters.

Pence also took direct aim at Xi’s signature Belt and Road initiative, saying in his speech countries should not accept debt that compromised their sovereignty.

“We do not offer a constricting belt or a one-way road,” he said.

Centre of attention

The Belt and Road plan was first proposed in 2013 to expand land and sea links between Asia, Africa and Europe, with billions of dollars in infrastructure investment from China.

APEC host PNG is home to 8 million people, four-fifths of whom live outside urban areas and with poor infrastructure, and found itself feted by superpowers.

Xi opened a Beijing-funded boulevard, while Pence talked of a 400-year old King James Bible in the PNG parliament that he had played a role in bringing to the country.

Australia, a staunch US ally, has for decades enjoyed largely unrivalled influence among Pacific island nations. China has recently turned its attention to the region with a raft of bilateral financing agreements to often distressed economies.

PNG Foreign Minister Rimbink Pato said his country did not need to pick sides.

"For us, we welcome Chinese investment, we welcome U.S. investment. Our foreign policy is to be friends of all, enemies of none."

Opinion | 'America First' hastens the demise of US hegemony

James W. Dean, Vivek Dehejia

December 2, 2018: Transparent tension between the US and China at the recently concluded Asia-Pacific Economic Cooperation (APEC) meetings in Port Moresby underlined a disturbing phenomenon that cast a dark shadow over the G20 meetings in Buenos Aires (30 November-1 December). Tensions are so high that China cancelled a high-level trade delegation to Washington scheduled for earlier this month. White House officials are now mooting the prospect, albeit unlikely, of trying to eject China from the World Trade Organization (WTO).

The spat has spread beyond the White House and President Donald Trump. At the New Economy Forum held in Singapore in November, Henry Paulson, the former head of Goldman Sachs and treasury secretary under President George W. Bush, warned that a "new economic iron curtain" is falling between China and the US. Meanwhile, Wang Qishan, vice president of China, claimed that the "polarization of right-leaning populism" in the West was stoking anger and destabilizing the global order.

The Trump administration contends that China persistently flouts the spirit, and sometimes the letter, of WTO rules. There is truth to these allegations. But what lies behind such accusations is the administration's inchoate sense that China is on the verge of challenging America's economic, technological and even military dominance, a status that has been unchallenged since the end of the Cold War.

The conventional view is that free flows of international trade and investment, as well as ideas and even ideals, enhances well-being for all nations that sign on. This view is deeply grounded in economic theory and is at the core of the post-war global order and the institutions that govern it — what political scientist John Ruggie has termed “embedded liberalism”.

The contrary view is that, in practice, nationalistic power can ride roughshod over free trade and investment. Trumpian isolationism, though intellectually incoherent and confused, seems to be saying that a powerful country like the US can and should bully other less powerful countries into tilting their terms of trade against themselves and in favour of
the US. To be fair, this is not entirely new with Trump. As long ago as the 1990s, economist Jagdish Bhagwati coined the concept of the “diminished giant syndrome” to explain the US tilt away from multilateralism toward preferential trade agreements which could be stacked in favour of the US.

The charge that China has, since its opening up in the 1980s, extracted greater gains from trade with the US than vice versa is suspect. The US—indeed, the whole world—has benefited enormously from China’s exports of an ever more diverse variety of products that are less expensive than ever in human history.

This boon to the world’s consumers was initially due to cheap labour, but is increasingly due to mass production and cutting-edge technology, usually borrowed, but occasionally stolen. But the world’s producers have benefited as well, having greatly leveraged their technology, design and brand names by outsourcing labour-intensive assembly to China, thus handsomely enhancing their profit margins. Apple is a prime example: its products are assembled in China but designed in the US, which reaps most of the gain.

The Trump administration is threatening to raise its existing 10% tariffs on Chinese imports to 25% by January unless China makes major concessions. China has signalled clearly that it will not be browbeaten. It is not constrained by the niceties of Western-style democracy from dipping into its deep pockets to hold out in a trade war with Trump.

It is surely ironic that policies designed to “Make America Great Again” are very likely to backfire and accelerate American decline, by choking off the very gains from free trade and investment that helped create and sustain American hegemony in the first place.

To heighten the irony, America’s gains from trade with a future China, if managed cooperatively rather than adversarially, could well exceed its past gains. Empirical studies show that intra-industry trade between advanced economies yields higher mutual gains than that between developed and less developed economies. In other words, trade between America and an ever more prosperous China could yield greater gains, not lesser.

In fact, China’s output of basic scientific research is now greater than America’s, at least as measured by publications in leading academic journals. Tsinghua University’s output rivals MIT’s. This measure, imperfect as it is, likely foreshadows commercial and military technology that may soon challenge America's.

Paranoid nationalists may worry that this foretells harm to the US. Yet as China advances toward world-class output in STEM (science, technology, engineering, and mathematics) research, there will be far more for the US to gain by cooperating rather than complaining and coercing. The smart American choice would be to step back from a tariff and arms race with China that would damage both economies as well as dissipate the attendant gains from trade and investment between them.

The wise course for the US is not to try to take on China as a foe, but rather to intertwine Western and Asian self-interest by harnessing free trade in goods, capital and ideas. That is the right route to "Making America Great Again".

Pence, Xi trade barbs in speeches at Pacific summit

Live Mint

Port Moresby, Papua New Guinea, November 17, 2018: Chinese President Xi Jinping and US vice-president Mike Pence traded barbs in speeches at a summit of world leaders on Saturday, outlining competing visions for global leadership as trade and other tensions between them simmer.

Pence said there would be no let-up in President Donald Trump's policy of combating China's mercantilist trade policy and intellectual property theft that has erupted into a tit-for-tat tariff war between the two world powers this year.

The US has imposed additional tariffs on $250 billion of Chinese goods and China has retaliated. Pence reiterated Trump administration threats to more than double the penalties.

"The United States, though, will not change course until China changes its ways," Pence said, accusing Beijing of intellectual property theft, unprecedented subsidies for state businesses and "tremendous" barriers to foreign companies entering its giant market.

Pence announced the US would be involved in ally Australia's plan to develop a naval base in Papua New Guinea, where the summit is being held. China has been intensely wooing Papua New Guinea and other Pacific island nations with aid and loans for infrastructure.

"Our vision for a free and open Indo-Pacific will prevail," Pence said.

The vice-president harshly criticised China’s global infrastructure drive, known as the “Belt and Road Initiative,” calling many of the projects low quality that also saddle developing countries with loans they can’t afford.

The US, a democracy, is a better partner than authoritarian China, he said.

“Know that the United States offers a better option. We don’t drown our partners in a sea of debt, we don’t coerce, compromise your independence,” Pence said. “We do not offer constricting belt or a one-way road. When you partner with us, we partner with you and we all prosper.”

Xi, who spoke before Pence, anticipated many of the US criticisms in his speech. He said countries are facing a choice of cooperation or confrontation as protectionism and unilateralism spreads.

Xi expressed support for the global free trading system that has underpinned his country’s rise over the past quarter century to the world’s second-biggest economy after the US

“The rules made should not be followed or bent as one sees fit and they should not be applied with double standards for selfish agendas,” Xi said.

“Mankind has once again reached a crossroads,” he said. “Which direction should we choose? Cooperation or confrontation? Openness or closing doors. Win-win progress or a zero sum game?”

Responding to a chorus of criticism of China’s international infrastructure drive, Xi said it was not a trap or power grab.

“It is not designed to serve any hidden geopolitical agenda, it is not targeted against anyone and it does not exclude anyone,” Xi said. “It is not an exclusive club that is closed to non-members, nor is it a trap as some people have labelled it.”

Leaders of 21 Pacific Rim countries and territories that make up 60 percent of the world economy are meeting in Port Moresby, the capital of Papua New Guinea, for an annual Asia-Pacific Economic Cooperation summit.

They are struggling to reach agreement on a joint declaration, particularly whether to push for changes to the World Trade Organization, which sets the rules for trade and can penalize nations that breach them.

WTO member nations have been unable to reach agreement on further freeing up trade for years and the organization is in danger of atrophy.

Two thirds of its members claim developing nation status that allows them to take advantage of benefits and exemptions to obligations not granted to advanced economies, according to the Center for Strategic and International Studies. The US, meanwhile, believes the WTO's arbitration body has made decisions beyond its mandate.

APEC is also facing questions about its future. Malaysia's 93-year-old Prime Minister Mahathir Mohamad said it will become irrelevant if developing nations continue to be left behind by globalization and free trade.

China's territorial claims to most of the South China Sea that borders Southeast Asian nations were also a target in Pence's speech.

China has demanded the US stop deploying ships and military aircraft close to its man-made islands in the disputed waters after American and Chinese ships nearly collided near a contested reef in September. But Pence stressed Saturday that the US won't back off.

"We will continue to fly and sail wherever international law allows and our national interest demands," he said. "Harassment will only strengthen our resolve. We will not change course."

Washington will continue to support efforts by Southeast Asian nations to negotiate a legally binding "code of conduct" with China "that respects the rights of all nations, including the freedom of navigation in the South China Sea," Pence said.

Opinion | May's Brexit deal is a betrayal of Britain

Mervyn King, Bloomberg, Live Mint

December 5, 2018: When Tony Blair and Boris Johnson unite in their condemnation of the "deal" under which Theresa May proposes that the UK should leave the EU, you know something has gone badly wrong. The withdrawal agreement is less a carefully crafted diplomatic compromise and more the result of incompetence of a high order. It is time to think again, and the first step is to reject a deal that is the worst of all worlds.

Britain is not facing an economic crisis. It is confronting a deep political crisis. Parliament has brought this on the country. It voted overwhelmingly to hold a referendum. The public were told they would decide. And the rules of the game were clear: 50% of the vote plus one would settle the matter. The prime minister and the chancellor of the exchequer at the time said unequivocally that Brexit meant leaving Europe's single market and customs union. This was the Brexit that, after the referendum, both main political parties promised to deliver.

But a majority of members of Parliament were against leaving. For members of the Labour opposition, the opportunity to undermine the government outweighed their views on the issue at hand, momentous though it was. A divided governing party was unable to rely on a majority to support any plan to deliver Brexit.

To be sure, no coherent plan has ever been presented. There are arguments for remaining in the EU and arguments for leaving. But there is no case whatever for giving up the benefits of remaining without obtaining the benefits of leaving. Yet that is exactly what the government is now proposing. It simply beggars belief that a government could be hell-bent on a deal that hands over £39 billion, while giving the EU both the right to impose laws on the UK indefinitely and a veto on ending this state of fiefdom.

Preparations for Brexit based on trade under World Trade Organization (WTO) terms should have started in 2016, immediately after the referendum. Britain needed a fall-back position and that was the form it should have taken. An immigration policy for the post-Brexit world could and should have been published in 2016. Instead, the government pretended that everything could be postponed until an imaginary long-term deal could be negotiated. This was naïve at best, and in the event has proven disastrous. And so Project Fear turned into Project Impossible. It is incompetence on a monumental scale.

Before the referendum, official economic projections intended to scare the country into voting Remain didn't succeed. Based on flimsy and arbitrary assumptions, they were subsequently proved wrong. The same strategy has resurfaced.

It saddens me to see the Bank of England unnecessarily drawn into this project. The bank's latest worst-case scenario shows the cost of leaving without a deal exceeding 10% of GDP. Two factors are responsible for the size of this effect: first, the assertion that productivity will fall because of lower trade; second, the assumption that disruption at borders will continue year after year. Neither is plausible. On this I concur with Paul Krugman. He believes that Britain would be better off inside the EU—but on the claim of lower productivity, he describes the bank's estimates as "black box numbers" that are "dubious" and "questionable." And on the claim of semi-permanent dislocation, he just says, "Really?" I agree: The British civil service may not be perfect, but it surely isn't as bad as that.

The UK is a European country, and always will be. Trade and contacts among the nations of Europe can and should continue much as before. And I have no doubt they will do so. But the political nature of the EU has changed since monetary union. The EU failed to recognize that the euro would demand fiscal and political integration if it was to succeed, and that countries outside the euro area would require a different kind of EU membership. It was inevitable, therefore, that, sooner or later, Britain would decide to withdraw from a political project in which it had little interest apart from the shared desire for free trade. Leaving the EU is not the end of the world, any more than it will deliver the promised land. Nonetheless the country is entitled to expect something better than a muddled commitment to perpetual subordination from which the UK cannot withdraw without the agreement of the EU.

Many MPs will argue that May's deal is the only deal available. But remember, this is a political not an economic crisis. If Blair and Johnson, from opposing political viewpoints, can see the fatal weaknesses of this proposed deal, politicians of all hues should try to do the same. This deal will not end the divisiveness of the debate about Britain's relationship with the EU. The Remain camp will continue to argue, correctly, that to align the country indefinitely with laws over which it has no influence is madness, and a second referendum is vital to escape from this continuing nightmare. And the Leave camp will argue, also correctly, that it is intolerable for the fifth largest economy in the world to continue indefinitely as a fiefdom.

If this deal is not abandoned, I believe that the UK will end up abrogating it unilaterally—regardless of the grave damage that would do to Britain's reputation and standing. Vassal states do not go gently into that good night. They rage. If this Parliament bequeaths to its successors the choice between a humiliating submission and the abrogation of a binding international treaty, it will not be forgiven—and will not deserve to be.

India, Australia ink five MoUs to increase bilateral investments

Rajrishi Singhal, Live Mint

November 22, 2018: India and Australia on Thursday signed five memorandums of understanding (MoUs) for increasing bilateral investments and furthering cooperation in key sectors such as agriculture. However, both governments decided to hit the pause button on negotiations for a Comprehensive Economic Cooperation Agreement (CECA).

The MoUs were signed after Indian President Ram Nath Kovind met Australian Prime Minister Scott Morrison. Both held discussions to take forward Prime Minister Narendra Modi's discussions with Morrison on the side-lines of the RCEP (Regional Comprehensive Economic Partnership) meeting in Singapore recently.

The five agreements build a pathway to implement the report titled, *An India Economic Strategy To 2035*, popularly referred to as the Peter Varghese report, which seeks to enhance Australia's engagement with India. Former Australian high commissioner to India Peter Varghese has recommended that Australia focus on 10 sectors and 10 states to deepen and enhance its relationship with India.

Accordingly, Canberra has decided to focus its energies initially on education, agribusiness, resources (such as coal) and tourism. As part of these initiatives, it has also decided to open a consulate general in Kolkata.

The CECA, being negotiated between India and Australia since 2011, has now been officially paused for some time. The Australian government, however, has not given up hope and sees a window of opportunity for bilateral trade agreement under the aegis of RCEP, whenever it is concluded.

This was conveyed by Simon Birmingham, Australian minister for trade, tourism and investment, while speaking at the India Business Summit 2018, in Sydney. His contention was that the India-Australia CECA could then become part of the regional trade architecture achieved through RCEP.

Both governments began negotiating CECA in 2011 and the talks have progressed in spurts, held up primarily on account of two sticking points: India's demand for free movement of professionals (or Mode-4 in trade jargon) versus Australia's demand for enhanced agriculture market access in India.

CECA is an improvement over free trade agreements because it encompasses, apart from trade in goods, cross-border investment and services trade.

Birmingham said the Varghese report was commissioned when Australia realised that the conclusion of the CECA with India was going to be "challenging".

Later, speaking to a group of Indian journalists, Birmingham said: "We have paused for some period of time those active negotiations. Australia would be willing to pick them up if we saw some change in the circumstances. RCEP is an amazing opportunity to form a significant Indo-Pacific trading bloc. It's, of course, taking a lot of time and focus of trade negotiators. It is only fit and proper that in collaboration with all the other RCEP partners, we put our best efforts in getting the best possible outcomes. There is no reason why we cannot achieve a trade outcome of equal substance and meaning that a bilateral FTA would achieve through the regional processes of RCEP."

He added that he was heartened by the fact that India had joined in the latest commitment (in the Singapore round of talks) to try to finalize RCEP by next year; in addition, he said that since India had agreed to some of the comprehensive elements of the RCEP agreement, some of the past difficulties faced in concluding CECA talks might now be overcome.

Countries did not have to make a binary choice between either CECA or RCEP, since Australia had both bilateral and plurilateral agreements with many countries, Birmingham added.

When asked about Australia taking India to the World Trade Organization (WTO) over sugar subsidies, he said that both are rules-based countries and this was the best way to settle disputes between two friendly nations. He also said that it was possible to settle the issue outside WTO and he had extensive discussions with Indian commerce minister Suresh Prabhu about it.

Birmingham also said that it was possible to look into the Varghese report for solution: The report recommends that Australia collaborate with India in weather forecasting to help in crop production and in priority areas for development. With this improved capability, India will then have a reduced need for subsidising farmers.

Brazil approves WTO action over Indian sugar subsidies

Marcelo Teixeira, Reuters, Live Mint

Sao Paulo, December 12, 2018: The Brazilian government approved consultations at the World Trade Organization regarding subsidies it says India gives to cane producers and sugar exporters, Brazil's trade ministry said.

Brazil said it has decided to start a formal action at the WTO after failing to receive enough information from India following letters it sent to the Indian government seeking clarifications on sugar policies.

"The suspicion is that Indian domestic support (to farmers) and its subsidies to sugar exports caused significant impacts in the sugar market in a context of falling prices and decreasing production in the main centers Brazil, China and Thailand," the Brazilian trade ministry said in a written statement late Tuesday.

India is expected to surpass Brazil as the world's largest sugar producer in the current global sugar crop, with output around 33 million tonnes while Brazil's production is expected to fall almost 10 million tonnes to below 30 million tonnes.

Brazil said India's government policy to guarantee a minimum price for cane to farmers has caused production to surge. It says this policy, combined with subsidies to sugar transportation, is allowing the country to ship excess sugar production abroad.

Sugar prices in New York reached a 10-year low in September. Prices have recovered a bit since then, but are still barely covering production costs for most companies.

As a result, Brazilian mills sharply reduced their sugar production in the current season, diverting cane to ethanol instead and leaving sugar equipment idle.

Australia takes India to WTO over sugar subsidies

Melbourne, November 16, 2018: Australia said on Friday that it was taking legal action against India at the WTO over sugar subsidies, alleging that it caused a “significant downturn” in world prices and hurt Australian producers.

Australia alleges that the subsidies, which have seen Indian sugar production leap from an -average 20 million tonnes to 35 million tonnes this year, far exceed the level of -farmer assistance permitted under WTO rules. The action, known formally as a counter notification, comes after Australia has repeatedly raised the issue with India directly, ABC News reported.

It means the issue will initially be discussed at the WTO’s Committee on Agriculture meeting scheduled for later this month.

Trade Minister Simon Birmingham said it was time India, the world’s second-largest sugar producer, was held accountable for its market distorting policies on sugar.

“We have raised our industry’s deeply held concerns on numerous occasions with senior levels of the Indian Government,” Birmingham said.

“We are disappointed our concerns haven’t been addressed and now see little choice other than to ramp up our efforts to stand up for the rights of our cane farmers and sugar millers.

“We will now engage in formal discussions with India and other WTO members regarding this issue at the upcoming WTO Committee on Agriculture meeting later this month.”He expressed hope that India would reconsider its position in relation to what are more than $1 billion in additional subsidies for sugar producers, “which has pushed global sugar prices to a decade low”.

Australia is the third largest exporter of sugar.

“So we are a significant player. We would expect and hope to have support in terms of our action from Brazil and other nations. And ultimately, this is about trying to ensure we get a fair go for our sugar farmers who play by the rules. And they just want to be able to compete,” he said. Birmingham dismissed concerns the step could hamper Australia’s efforts to ramp up trade with India.

“Our relationship with India is much, much deeper than one issue.” The announcement came two days after Prime Minister Scott Morrison met his Indian counterpart Narendra Modi in Singapore on the sidelines of the East Asia Summit during which the two leaders discussed the issue.

At WTO, India under increasing trade fire

Anil Sasi, The Indian Express

November 17, 2018: Australia’s move Friday to refer India to the World Trade Organization (WTO) over subsidies paid to sugarcane farmers is the latest in a series of challenges and reverses in recent months. The action comes on the back of a November 12 filing by the US at the Geneva-based global trade regulator alleging that India has paid out far more in cotton subsidies than the WTO rules permit.

Days earlier, on November 7, India lost a key trade dispute at the WTO after a settlement panel largely upheld Japan’s complaint on the imposition of safeguard duty on imports of hot-rolled steel flat products during September 2015 and March 2018. Earlier, in 2016, the dispute settlement panel had ruled in favour of a US complaint against the requirement that power producers under the Jawaharlal Nehru National Solar Mission compulsorily procure a part of solar panels and modules for their projects from domestic producers.

Trade analysts point to the trend being a cause for concern, especially the increasing intensity of action by countries and the leeway that this offers for other nations to cite the penal action as a justification in their submissions. Incidentally, the mounting list of trade disputes coincides with a phase when India has resorted to well over a dozen hikes in customs duties covering over 400 items during the last 24-30 months, marking a “calibrated departure” from the underlying policy of reducing import duty that was consistently followed by successive governments over the last two decades. Prior to the large-scale hikes, India’s peak customs duty — the highest of the normal rates — on nonagriculture products had come down steeply from 150 per cent in 1991-92 to 40 per cent in 1997-98 and subsequently, to 20 per cent in 2004-05 and 10 per cent in 2007-08.

"We'll continue to support the right of our sugar industry to compete on equal terms & will utilise the established global trading rules to defend the interests of our farmers," Australia's Trade Minister Simon Birmingham said in a tweet after announcing the move. This, Australia claims, has created a global surplus that is affecting its own farmers. Australia has submitted a 'counter-notification' to the WTO that is expected to be discussed by the Committee on Agriculture on November 26 in Geneva. The next step would be a formal dispute action.

On September 27, the NDA government had approved a fresh Rs 5,538-crore package for the sugar industry. A query on the issue sent to the Commerce Minister's office on the latest action initiated by Australia and series of actions earlier by other countries did not elicit a response. India's stated position on the issue is that the country's sugar exports comply with WTO rules as it does not extend a subsidy to its farmers for exports, but instead gives a production subsidy.

"This (WTO action) is a cause of concern, especially the increasing intensity of action by countries," Biswajit Dhar, professor, Centre for Economic Studies and Planning, School of Social Sciences, Jawaharlal Nehru University, said.

The US' contention in its November 12 WTO filing was that India has paid out far more in cotton subsidies than the rules permit. "It appears that India provides MPS (market price support) for cotton vastly in excess of what it has reported to the WTO," the US filing said. India has previously dismissed these allegations and has demanded that MPS should be calculated by using the recent reference period instead of 1986/88 prices, which was factored in at the time of the creation of the WTO.

Besides cotton, in an earlier consultations request by the US in the WTO during the second week of March 2018, it listed 27 examples of Indian laws and regulations that it claimed are WTO-prohibited export subsidies. In May 2018, the US submitted a communication under provisions of the WTO Agreement on Agriculture (AoA) on certain measures of India providing MPS to wheat and rice for the years 2010-11 to 2013-14. In this communication, Washington stated that India has "under-reported" its domestic support provided for wheat and rice and "breached" its commitments under the WTO AoA.

"The calculations done by them, to support this claim is based, as per them, on information available in the public domain and news reports. The US has, however, clarified that the purpose of the counter notification is to facilitate conversation and improve transparency. India has refuted the calculations done in the US counter notifications as being flawed on technical grounds and asserted that the methodology used by India in its domestic support notifications is in accordance with the rules under the AoA," a Commerce Ministry official involved in the exercise said.

On November 7, a three-member panel ruled that the safeguard duties imposed by India at different periods during 2015 and 2018 are “inconsistent” with core provisions of the WTO’s Safeguards Agreement. While WTO members are entitled to slap safeguard duties to curb unforeseen surges in imports that cause material injury to their domestic industries, there is a need to demonstrate that it is a “sudden” and “sustained” spike in imports causing injury to its domestic industry. Japan launched the dispute settlement proceedings against India last year challenging the “definitive” safeguard duties imposed on imports of hot-rolled steel flat products by the revenue department of the Indian finance ministry during September 2015 and March 2018.

India steps up agro-diplomacy with China

Atul Aneja, The Hindu

November 19, 2018: As the trade war with the United States continues to bite — with only a slim chance that the world’s two biggest economies can go past a possible truce — China appears to be opening up to non-U.S. imports.

Smelling an unexpected opportunity to export more to the Middle Kingdom, India is quietly squeezing in the door. The focus so far has been on pushing agri-products into the Chinese market. Sensing that China would look first at its food security by diversifying imports in view of the trade war, New Delhi has stepped up its agro-diplomacy with Beijing.

Over the past two months, Indian food and beverage producers have been conducting seminars and road shows in the Chinese capital.

Soya source

Though Indian soya bean exports are apparently a priority, especially after the China imposed a 25% levy on U.S. imports, success in the huge Chinese soya bean market is yet to materialise, though some progress may have registered during talks. Visiting Commerce Secretary Anup Wadhawan in a conversation with his Chinese counterpart Wang Shouwen earlier in November “expressed satisfaction over progress on soya bean meal and pomegranate and related issues,” an Indian Embassy press statement said.

However, other agri-products may have stolen a march over soya beans in finding a niche in the Chinese market. On November 6, Jay Shree Tea and Industries Ltd. signed a $1-million black tea export contract with State-owned COFCO. Assam tea, in particular, has good prospects in China as it blends well with milk-based tea drinks. “China has been traditionally a green tea market. But of late, its young people are developing a taste for milk infused bubble tea, potentially opening a larger market for Indian black teas,” said Arun Kumar Ray, Deputy Chairman of the Tea Board, on a visit to Beijing.

India’s efforts to export sugar to China, which began in earnest in June, also appear to have paid dividends. Earlier this month, a Commerce Ministry statement said the Indian Sugar Mills Association had signed its first sugar export contract of 50,000 tonnes with COFCO. During his visit, Mr. Wadhawan briefed the China Sugar Association about India’s proven capacity to meet China’s sugar needs over the long haul.

China has also opened up imports of non-Basmati rice from India in June on the sidelines of the Qingdao summit of the Shanghai Cooperation Organisation (SCO). Officials say China is a lucrative $1.5-$2 billion market for Indian rice. A delegation of Indian rice traders was in Beijing in October on a follow-up visit after China, in principle, opened its doors to 24 India-based rice mills.

Efforts to tap the Chinese agri-market, in view of the China-U.S. trade war, was flagged in April. In his opening remarks at the fifth China-India Strategic Economic Dialogue, NITI Aayog Vice-Chairman Rajiv Kumar said India was ready to step in and supply soya beans to China. “I was noticing that there were some tariffs that were issued on farmers from Iowa and Ohio, etc. Maybe India can substitute for something like soya beans and sugar if we could have access to those exports with all the due quality considerations that you might have,” Mr. Kumar had said.

Trade imbalance

Despite signs of incremental progress, India's $63-billion trade imbalance with China is alarming. In his meetings in Shanghai, Mr. Wadhawan stressed that pharmaceuticals, information technology services and tourism, in which India has a significant global footprint, had a "minuscule presence" in China.

Earlier this year, India had raised the red flag about its adverse trade balance during China's trade policy review at the WTO, specifically citing hindrances that Indian exporters of rice, meat, pharmaceuticals and IT products were encountering to access the Chinese market.

"There are some positive developments... but we want that to be reflected in concrete trade figures before we can conclude that there has been a turnaround in our commercial ties with China," an Indian diplomat told The Hindu.

In a post-Brexit scenario, EU may rework FTA with India

Asit Ranjan Mishra, Live Mint

New Delhi, November 22, 2018: The European Union (EU) may be looking at reworking the proposed free trade pact with India —called the Broad Based Bilateral Trade and Investment Agreement (BTIA)—in a post-Brexit scenario, negotiations for which have dragged on for 11 years with little progress.

In a strategy paper for India released on Tuesday, the EU did not mention BTIA, but sought to negotiate a "balanced, ambitious and mutually beneficial" free trade agreement (FTA) with sufficient level of ambition to respond to each side's key interests in trade and investment.

"In particular, the EU will continue to engage with India to ensure that such an agreement will be economically meaningful, delivering real new market openings in all sectors to both sides, and contain a solid rules-based component," it said in the paper released on Tuesday by the EU's ambassador to India Tomasz Kozlowski.

The EU, however, is adamant on having a comprehensive trade and sustainable development chapter, notably in order to deal with social and environmental impacts.

Negotiations on the India-EU FTA started back in 2007 and 16 rounds have been held since then — the last in 2013, before negotiations were suspended. Both sides have explored restarting negotiations after the Bharatiya Janata Party-led government assumed power in May 2014, but uncertainties over Brexit and inflexibility on both sides have prevented a formal resumption.

The EU in its strategy paper said it wants the investment deal to be negotiated along with the trade agreement including a contentious dispute settlement mechanism which India is reluctant to sign it as it allows private foreign investors to sue the local government for unanticipated policy changes. “Ensuring a high level of investment protection in order to remain an attractive destination for new investments is also a key dimension of the EU-India partnership,”it said.

After India unilaterally terminated its current bilateral investment treaties last year with 57 countries, including with EU member countries, to negotiate fresh deals based on a new model, the EU had raised strong objection.

India brought out a new model BIT in December 2015, intending to replace its existing BITs and future investment treaties, after being dragged into international arbitration by foreign investors who sued for discrimination, citing commitments made by India to other countries in bilateral treaties.

The EU also expressed discomfort with India’s reluctance to “open up to imports” and its strong reliance on exports and inward investment. “The EU will continue to encourage India to open up its economy to strengthen its international competitiveness, benefit from a better integration into global value chains, and increase its share in global trade, to bring it more in line with its growing share of global GDP,” it added.

The EU also sought India’s constructive engagement in addressing global trade challenges in the World Trade Organization (WTO) to fight protectionism. “While the multilateral trading system has been instrumental in integrating the global economy and helping to prevent protectionism, it is confronted with a serious crisis. The EU wants to work with India to develop a common understanding on the issues to be addressed in the WTO and its modernization and to advance rulemaking on fundamental global trade issues,” the strategy paper added. The EU also proposed to establish a regular ministerial high-level dialogue to strengthen engagement with India at a strategic level and to identify shared interests on economic, trade and investment issues.

India had expressed reluctance to agree to a similar proposal by EU made earlier, holding that the existing mechanism is sufficient to address contentious issues on both sides. The EU is India’s largest trading partner accounting for 14% of its total trade in goods in 2017, while India is the EU’s 9th largest trading partner.

Now, China opposes global e-commerce rules

D. Ravi Kant, Live Mint

Geneva, November 21, 2018: China has come somewhat closer to India's stance on developing global trade rules for electronic commerce by opposing binding provisions for cross-border data flow, preventing data localization, and protection of source code, among others, said people familiar with the development.

The US, Japan, Australia and Singapore, the proponents of ambitious rules for global e-commerce, have suffered a setback at the World Trade Organization (WTO) after China issued a strong statement, opposing attempts to develop rules on sensitive issues of e-commerce, said a trade envoy, who asked not to be named.

India has all along maintained that rules for e-commerce must be negotiated as per the 1998 work programme. But the US, the European Union (EU), Japan and Australia, among others, seem determined to spike the multilateral work programme for developing ambitious rules for e-commerce and denying policy space for countries such as India.

During a meeting of the plurilateral joint statement on electronic commerce initiative members on 31 October, China delivered the strongest statement yet for an "open, transparent, inclusive and pro-development" outcomes, "without imposing any preconditions on the participation of any member and without prejudice to members' positions in future discussion".

China told the big boys "to address the concerns and needs of developing members, including those who have not joined the discussion, particularly the least developed countries (LDCs)."

More importantly, China said that "discussions shall focus on 'trade-related aspects' of e-commerce as the 1998 work programme so mandated." "Let's stick to e-commerce without substituting its concept or generalizing its expanded scope," China said, in opposition to the ongoing attempts by the US, Japan, Australia, Singapore and Canada, to incorporate rules from the failed Trans-Pacific Partnership (TPP) agreement.

Many developing countries, led by India and South Africa, have repeatedly said that the sanctity and integrity of any outcome on e-commerce will hinge on how members proceed according to the 1998 work programme on e-commerce.

Clearly, China's latest position comes somewhat close to what a large number of developing countries, especially India, demanded as per the 1998 work programme, said a trade envoy, requesting anonymity.

Further, China said "members' right to regulate shall be fully respected and members' sensitivities be accommodated in scoping the discussion" at the trade body.

Without naming the US, Japan, Australia and Canada, which want to discuss all regulatory issues, China said "any future disciplines that might be foreshadowed in the exploration, shall in no way prevent the WTO members from exercising their right to regulate and fulfilling legitimate public policy objectives".

Clearly, China is calling for a policy space as "most developing countries are still at the lower end of the learning curve or just starting to formulate domestic regulatory frameworks on e-commerce".

"Therefore, their [developing countries] policy space, the right to regulate and the right to develop need to be duly preserved," China added.

All countries, according to China, "are entitled to implementing reasonable regulation in this regard, including allowing lawful and orderly free flow of information on the precondition of protecting privacy and public interests, as well as safeguarding national security and network security".

Against this backdrop, "any multilateral coordination of possible rules cannot neglect members' legal and institutional arrangements as such," China cautioned the proponents seeking ambitious rules.

Without naming the US, which is calling for complete free data flows and prohibitions against localization of servers, China has expressed serious doubts whether the WTO must develop rules on sensitive issues "for many members, developing or even developed".

China mocked the US and other developed countries calling for free cross-border data/information flows saying "there is no member that permits completely free flow, nor any member that absolutely prohibits such flow". Hence, members may apply different regulatory systems due to various concerns and priorities, said China.

Significantly, China remained silent on a permanent moratorium against imposing customs duties on electronic transmissions. It remains to be seen what it will say during the general council meeting next week to discuss a proposal from India and South Africa, which has called for re-examining the moratorium because of the fiscal burden it would impose on developing and poorest countries.

Need for re-think on e-commerce deals, say India and South Africa

D. Ravi Kant, Live Mint

Geneva, November 29, 2018: India and South Africa on Tuesday challenged the United States, China, and other giants of global electronic commerce at the World Trade Organization over the negative financial implications of the moratorium on customs duties on electronic transmissions or digitizable products.

They said the practice of not levying import duties on products traded online across borders could result in revenue losses of tens of billions of dollars for developing countries, according to people familiar with the development.

The US, China, the EU, and a couple of other countries, who dominate the digital trade, opposed the joint proposal from India and South Africa for a “re-think” on the moratorium on electronic transmissions saying any attempt to discontinue the moratorium will cause a disruption in global digital trade. Surprisingly, the proponents such as the US, China, and Japan among others stuck to their positions that the moratorium should be made permanent without offering any credible technical or empirical evidence, said a trade envoy, who asked not to be quoted.

At a WTO General Council meeting specifically convened to discuss a joint proposal - “Moratorium on customs duties on electronic transmissions: Need for re-think”- by India and South Africa, New Delhi’s trade envoy Ambassador J.S. Deepak offered evidence from several studies, particularly studies conducted by the United Nations Conference on Trade and Development, about the likely fiscal havoc that will be caused by the current moratorium on levying customs duties on electronic transmissions or digitizable goods.

WTO Members had agreed to a temporary moratorium on customs duties on electronic transmissions for the first time in 1998 and since then, it has been extended biennially at the WTO ministerial meetings.

Given the huge transformation in the digital trade over the past 20 years, Deepak said the time has come for a thorough examination of the moratorium from the larger development perspective and how it is “impacting the efforts of developing countries and LDCs, to industrialize digitally.”

He said a study conducted by the WTO on “fiscal implications of the customs moratorium on electronic transmissions: the case of digitisable goods” failed to capture the overall fiscal and other implications, particularly on developing and poorest countries.

The WTO study issued in December 2016 has stated that the share of trade in digitizable goods being traded in physical form to total trade is less than 1% of total goods trade. According to the WTO study, all digitisable goods are physical goods which have the potential to be electronically transmitted.

“In other words, these are physical goods, currently being traded physically across borders on which the WTO members can apply their bound customs duties,” India maintained. Surprisingly, ‘digitisable physical goods obviously are not the subject of the e-commerce moratorium,” India said, pointing out that “the e-commerce moratorium applies to electronic transmissions(ET) which is online, cross-border trade in these products.” Citing the example of one digitizable product, books, India said the WTO study concluded that “trade in books in physical form is low and if they were to be traded exclusively in electronic form the loss of revenue would be small.”

Further, there is no assessment of the “burgeoning online trade in video games, e-books, music and video downloads and software,” India maintained. Also, the WTO study- which is based on applied rates of customs duties for various products”- is not a proper gauge for the loss of revenue since it does not take into account the bound rates,” which Members have the flexibility of applying anytime, and in this era of protectionism, are increasingly resorting to,” India said.

Worse still, the developing and least-developed countries are unable to impose “internal charges” due to online trade. Since all products imported into a country are subjected to “internal duties such as manufacturing tax or sales tax or value added tax (VAT) or goods and services tax (GST),” governments find it difficult to levy such taxes on electronic transmissions.

At a time when e-commerce is dominated by super platforms such as Amazon and Alibaba among others, the developing and least-developed countries find it difficult to tax these super platforms, India suggested.

India cited several OECD studies that focussed on tax challenges of the digital economy, including the concept of 'Base erosion and profit shifting' (BEPS) which refers to tax avoidance strategies that exploit gaps and mismatches in tax rules to artificially shift profits to low or no-tax locations.

Deepak quoted the case of Facebook saying it "generates huge profits from its India operation where almost 20% of its global users are located, but pays an abysmal 0.06% of its total tax outgo to the Indian government." Around $200 billion of goods are traded through the online that are exempted from customs duties.

Therefore, he said, "the moratorium deprives developing countries & LDCs, which are large recipients of online traded goods or ET and have higher tariff rates bound at the WTO, of huge customs revenue."

"Given low levels of broadband penetration and the fact that only 5% people in developing countries use e-commerce platforms, the probability of domestic e-commerce to grow in the developing countries and benefit their SMEs appears to be low," India argued.

"The monopoly pricing powers of behemoths that run platforms and can force sub-optimal contracts on SMEs. Thus, in these countries digital trade or ETs is harming rather than helping the cause of SMEs, contrary to what some would want us to believe," India maintained.

South Africa said it is important to reconsider all the issues in a manner that would address the concerns expressed in the joint proposal. But several industrialized countries opposed the joint proposal by South Africa and India.

Like the EU, India must regulate data effectively

Ananth Padmanabhan, Hindustan Times

December 13, 2018: The European Union's General Data Protection Regulation (GDPR) is considered a game changer in the technology policy world today. It has pushed several countries, including India, to adopt a regulatory stance towards personal data. The Justice Srikrishna Committee deliberations, leading up to the Personal Data Protection Bill (PDP Bill), is a reminder of the vast powers that this stance can vest with the bureaucracy. The proposed Data Protection Authority can investigate and adjudicate contraventions, formulate rules and monitor compliance, and evaluate ex ante whether a proposed processing of personal data merits course correction.

But while celebrating the might of the State against hitherto unchecked technology giants, it would serve us well to remember that better regulation is not coterminous with micromanaged legislative prescriptions. Often, such prescriptions are counterproductive, and especially so when regulating new technologies or domains that demand greater scientific expertise. India's current experiences with food safety and the environment testify to this fact. Elaborate legislative prescriptions have led to unwarranted licensing and controls, while acute shortage of testing labs and qualified personnel persists.

Amid GDPR conversations, we tend to look beyond advances in the EU towards "better regulation". This initiative over the past few years aims for regulatory outcomes at minimal cost. As part of the exercise, policy design and preparation, adoption, implementation and monitoring, evaluation and revision are subject to stringent evaluation. This evaluation involves fitness checks on how prior interventions advanced policy goals, impact assessments that deliberate upon alternative choices and their projected consequences, and collective consultations when the subject matter involves multiple regulatory or policy actors. Such collective consultations are particularly relevant to the Indian experience on regulating data and emerging technologies.

Take, for instance, the data localisation debate here. RBI's April 2018 directive on storing financial transactions data locally hit the payments industry like a bolt from the blue. But this was only the beginning of episodic interventions that soon revealed how chequered policymaking can affect the borderless and free nature of the Internet as we have come to experience it over the years. The PDP Bill came next, stipulating server localisation for an undefined category of "critical personal data" which could be carved out ad hoc from a broader category of defined "sensitive personal data." A new (and now redacted) e-commerce policy followed, prescribing a sunset period of two years within which all e-commerce data ought to be localised in India.

Oddly, none of these interventions exhibited consistency or clarity over the underlying policy rationale. Did the rationale emanate in a heightened ability to access data for law enforcement purposes? If so, no actual figures were forthcoming on cybercrimes where law enforcement suffered because of the server being located elsewhere. If, on the other hand, the rationale was to bolster investments in indigenous artificial intelligence technologies like China did, it was unclear how mere data residence in Indian servers would help when a significant chunk of such data continued to be under private control, or how the various other parallel initiatives China had embarked on could be conveniently forgotten when making this case.

Similarly, with the drone industry, conflicting positions struck by ministry stakeholders — civil aviation, home affairs, defence, telecommunications — resulted in significant delays before a set of regulations that can be characterised sufficiently “innovation-friendly” came into effect. Today’s digital economy demands mediating interests of both the Centre and states as it operates in domains that fall within the state or concurrent list under our federal scheme. It also demands a vibrant consultative process between multiple regulators to avoid turf war. The telecom regulator has been excessively expansive, transgressing into domains traditionally within the purview of the competition commission or ministries of electronics/information technology, and information and broadcasting. As the digital economy grows, such regulatory incentives to overstep are but natural.

To address comparable concerns, the EU has tightened its “better regulation” approach with the “innovation principle.” This principle requires assessing innovation effects of policy positions, thus ensuring that regulatory tools and design promote rather than hinder innovation. Thus, proportionality assessments to determine least burdensome solutions, temporary and experimental regulations, and the opportunity for industry players to challenge prescriptive norms and present alternative frameworks, work within a framework that keeps in mind the centrality of health, environment, and consumer safety for any well-formed regulation. India must work towards a similar regulatory culture, prioritising collective consultation over siloed responses and a unifying innovation impact principle when evaluating regulatory interventions.

Opinion | China and India: Struggling to rebalance

Rajeev Malik, Live Mint

December 10, 2018: China and India make up for two contrasting—but fascinating—case studies of economic management in emerging economies. The policy response function in each is understandably tailored to suit its political structure, the economic challenges confronted and the menu of solutions. However, policymakers in both countries are struggling to rapidly rebalance their economies. China, which is demand-constrained, is trying to cushion its structural deceleration, whereas India, which is supply-constrained, is struggling to unlock its potential for higher trend growth.

Economic reforms took off in China in 1978, while India was a late bloomer, with major structural reforms seeing the light of day following the balance of payments crisis in 1991. The International Monetary Fund (IMF) pegs India’s per capita gross domestic product (GDP) this year at $2,135. This is around a fifth of China’s per-capita GDP of around $10,000. It is hard to imagine but the gap in per capita GDP in the two economies was less than $40 in 1990.

Interestingly, China was at India’s current per-capita GDP back in 2006, a gap of 12 years that is similar to the 13-year head start China had compared to India in initiating economic reforms. Subsequently, however, China’s per capita GDP surged slightly less than five times between 2006 and

2018, while India's increased two-and-a-half times. China, of course, benefited immensely from its entry into the World Trade Organization (WTO) in 2001. Unfortunately, there is no similar-sized tectonic disruption on the horizon for India to ensure an outsized multiplier impact on its growth and economic evolution.

China adopted and adapted to the export-driven model of development, with a strong emphasis on keeping its exchange rate undervalued. The disinflationary impact of its stepped-up supply-side and the ballooning of its current account surplus also facilitated a sustained downshift in the structure of local interest rates. This in turn also boosted growth.

India's semi-functional "do what you can, when you can" approach also has to make up for its relatively more progressive exchange rate policy that has shunned outright undervaluation of the currency. India has become more export-oriented and more integrated in trade and capital flows with the rest of world. However, frequent worries about the size of its chronic current account deficit and about its stable financing sometimes cause dislocations that undermine growth. An often overlooked feature of India's half-baked economic model is that policymakers have reformed end product markets before addressing the entrenched problems in factor markets: high cost of capital, inadequate and insufficiently skilled labour force, and recurring palpitations with land acquisition. All these factors compromise the pace, magnitude and nature of the unlocking of India's economic potential.

China's early focus on education, skills and infrastructure is an important reason that it can make everything, from a simple but good-quality and reasonably-priced toy to cars; specialized and fancy electrical and electronic gadgets to high-speed railways. However, manufacturing, which is critical for absorbing the growing pool of labour, remains a suboptimal link in India's economic evolution. Also, India is still lost about reforms in agriculture and education. Admittedly, Indian manufacturing has improved in recent decades but still remains lopsided. It struggles to make a good-quality tin opener but has carved out an encouraging niche for itself in manufacturing small cars and their export, and has an exemplary record and cost advantage in launching satellites.

China is desirous of engineering greater shift towards consumer-driven economic growth, weaning off the eye-popping multi-year investment surge that also contributed to its undisputed status as the factory to the world. In particular, the debt-fuelled investment binge that cushioned the hit from the global financial crisis in 2008 has now become the proverbial albatross around China's neck.

To be fair, China's focus on high-quality infrastructure was noticeable well before this problem emerged. The challenge for China—this is also closely tracked by the rest of the world—is cushioning its deceleration in growth to avoid any social upheaval from a hard landing and/or rising unemployment.

In contrast, India wants more investment-driven growth, especially focused on upgrading its creaky infrastructure, but is still struggling to jump-start the upturn in investment. Its last investment upturn was first truncated by the global financial crisis and subsequently hampered by policy mishaps. These included the inflation surge during the tenure of the previous government led by Manmohan Singh and later, the delay in timely implementation of measures to heal the banking system by the current government of Narendra Modi. Indeed, the Modi government, which came to power in 2014, appears to have underestimated the dysfunctional nature of its economic inheritance and overestimated its ability to fix things quickly.

The pace of economic rebalancing in both economies is substantially held to ransom by their banking sectors, including the shadow-banking channels. The underlying problem in both cases is home-grown, with politics distorting the more efficient allocation of savings. Both rely substantially on their clunky banking systems for intermediation of domestic savings, though India's financial sector can justifiably claim to be relatively better regulated and more transparent than China's. On balance, India's challenges to unlock its growth potential aren't unprecedented; several other emerging economies have had to cross several similar hurdles. In contrast, the nature and scale of the Chinese "too big to fail" challenge and its global ramifications give it a unique flavour.

The pace of rebalancing in both countries will continue to be slower than what investors expect. Financial markets suffer from tunnel vision and look for quick outcomes, while adjustments in the real economy take time. Local politics cannot be ignored, but in both countries faster and more far-reaching reforms rather than external factors will dictate whether policymakers and politicians end up in tears.

China backs India's bid for improved domestic regulations

D Ravi Kant, Live Mint

Geneva, December 10, 2018: Many developing countries, including China, on Thursday supported India's initiative to "rejuvenate" and "re-energize" negotiations to improve the disciplines on domestic regulation, which are being used by the US, the European Union (EU), Canada and Australia, among others, to deny market access to short-term service providers such as computer professionals, according to people familiar with the development.

Over the last 23 years, the US, the EU, Canada and Australia erected barriers through what are called domestic regulation conditions, such as qualification requirements, licensing requirements, and technical standards, to deny market access to short-term services providers from India, and other developing countries, under the Mode 4 of General Agreement on Trade in Services.

The four major industrialized countries, along with their allies, launched an informal pluri-lateral initiative at the World Trade Organization (WTO) that would make their existing insidious domestic regulation barriers for the supply of short-term services providers permanent, said a trade envoy, who asked not to be quoted.

To counter the pluri-lateral initiative on domestic regulation, which is being pursued outside the WTO's Working Party on Domestic Regulation (WPDR), India floated a proposal on how to accomplish a global deal for improving the domestic regulation disciplines on a multilateral basis.

India sought a meeting of the World Trade Organization's WPDR to discuss its proposal on 6 December.

During the meeting, services negotiators from other countries like China, the ACP (Africa, Caribbean, and Pacific) group, the African Group, the least-developed countries, South Africa, Indonesia, Turkey, Cuba, Ecuador, Bolivia, Venezuela, Egypt and Nigeria supported the proposal, saying it offers a legitimate basis for improving the domestic regulation disciplines.

India said "Mode 4 (concerning the movement of short-term services providers) is the most important mode of export interest for most developing countries, including least developed countries".

"Unfortunately, it is the most neglected and, therefore, needs facilitation through domestic regulation disciplines."

Several studies had pointed to the gross asymmetries in market access in the four modes of supply of services under General Agreement on Trade in Services (GATS).

While most of the major industrialized countries managed to secure market access in India and other countries, through cross-border services in Mode 1 and commercial presence in Mode 3, they had erected barriers on the movement of short-term services providers in Mode 4 through domestic regulations.

Trade vs Terror

Indian Express

Khaled Ahmed, December 1, 2018: Pakistan couldn't handle the fallout from the "operations" in Kargil (1999) and Mumbai (2008). Governments in Islamabad fell on bad times and the elected leaders were punished for refusing to swallow the two misadventures. Pakistan was forced to try the mastermind of the Mumbai attacks, Zakiur Rehman Lakhvi, but the trial quickly became a farce

On November 10, 2012, the country's officials told the anti-terrorism judge trying Lakhvi that the terrorists who attacked and killed over 160 people in Mumbai belonged to the Lashkar-e-Taiba (LeT) and the outfit had trained at different places in Pakistan. The mastermind, Lakhvi, married in jail, fathered a son and boasted about his time in the jail on phone. Tariq Khosa, a retired inspector-general of police, wrote in Dawn on August 3, 2015: "The judge of the anti-terrorism court trying Lakhvi has been changed eight times since the trial began in 2009. The Federal Investigation Authority has confessed that prosecuting a commander of LeT is difficult and the learned trial judge refused to visit Adiala Jail where Lakhvi was being tried — due to security reasons. They received threats on cellphones. Witnesses were insecure and reluctant to depose against the accused."

Pakistan still denies that by harbouring those declared as terrorists by the UN, it is complicit in terrorism. But its "all-weather" friend, China, has twice joined those who accuse Pakistan of sheltering terrorists — at BRICS with India and at FATF in Paris with Saudi Arabia. The latest rumour is that Pakistan wants peace with India. The Imran Khan government has hinted that it wants to "normalise" relations with India the way its two predecessors did, but their leaders were criminalised by the country's courts.

All over the world, free trade is the first sign of "normalisation" of relations between countries. In 2005, at the SAARC summit in Dhaka, then Indian Prime Minister Manmohan Singh talked of connectivity. In the past, India has given the status of the Most Favoured Nation to Pakistan — a gesture that has gone unreciprocated. Now, after Kargil and Mumbai, and after blowing its economic fuse, Pakistan apparently wants free trade.

But South Asia has walked away from SAARC and the idea of the region as a "connected" trading bloc. C Raja Mohan writes: "India's refusal to engage Pakistan unless Islamabad addresses its concerns on cross-border terrorism, has also held up the next SAARC summit in Islamabad. The last summit of the leaders of the eight SAARC countries was convened in Kathmandu in late 2014. The real tragedy, of course, is that nothing of substance would come out even if the summit was held tomorrow in Islamabad." ('Farewell to South Asia', IE, October 11)

Pakistan Army chief General Qamar Javed Bajwa says his country's economic prosperity is linked to the region and to peace talks with India. This, they say, is the Bajwa Doctrine cutting Pakistan off from the negative legacy of Kargil and Mumbai. Reportedly, China too wants Pakistan to "patch up eastwards" so it can push its China-Pakistan Economic Corridor through. If anyone thought India would bite after Prime Minister Imran Khan issued his “two-steps forward” statement on a proposed bilateral dialogue, he was soon disabused. The bilateral equation has worsened and India is growling more ominously than at any time in the past.

Pakistan has proposed “peace talks” to discuss disputes. This has been tried as a deadlock-breaking recipe in the past but “normalisation” of relations is something different. Maybe the world has to wait till the next election general elections in India. Meanwhile, both sides are scoring points with their people.

The 14th SAARC Summit at New Delhi in 2007 posited the question of trade routes. India and Pakistan agreed to the vision of a South Asian community, where there was smooth flow of goods, services, peoples, technologies, knowledge, capital, culture and ideas in the region. For SAARC, which had started in 1985 with wrangles over whether Kashmir could be mentioned during the summit sessions, the acceptance of trade routes was a big step forward.

In 2011, SAARC looked like taking off. The members were ready to act on the South Asian Free Trade Area (SAFTA) agreement signed by them in 2004. Pakistan foreign minister Hina Rabbani Khar arrived in New Delhi saying, “Pakistan wants to improve its regional connectivity with energy pipelines and roads. One day it would be possible for Indian trade with Central Asian nations to transit through Pakistan”.

But by 2012, SAARC was once again a dicey proposition. Pakistani diplomats, who should have anointed the wheels of cooperation, cursed the organisation and called for “resolution of disputes” first. Indian diplomats, on the other hand, demanded that Pakistan talk first about cross-border terrorism. It was goodbye, SAARC.

In contrast, the of Southeast Asian Nations (ASEAN) envisions a single market like the European Union. More than 25 per cent of the trade interactions by the ASEAN’s members are within the region itself — as against South Asia’s 5 per cent.

Who could want connectivity more than Prime Minister Narendra Modi? But look what happened. The year 2015 looked promising: On February 11, Prime Minister Modi rang Prime Minister Nawaz Sharif with a message of goodwill. But two months later, before Sharif could begin talking, the Lahore High Court had approved Lakhvi’s release from prison.

States are created by drawing borders and boundaries which cut them off from their neighbours. Nations are often created by acclaiming identities that are in conflict with the identities of their neighbours. Boundaries are barriers to the movement of people and goods and provide “national security”. Trade with the neighbouring states is often said to be inimical to “national security” because it tends to link national advantage to the “connections” it builds with the “threatening” neighbour. This was the thesis of Mahnaz Z Ispahani’s seminal book, Roads and Rivals: The Politics of Access in the Borderlands of Asia (1989). Today, such an analysis helps us understand how global trade under the WTO has changed the old ways of thinking about security.

Will Pakistan and India persist with the old pattern? Will Pakistan be a national security state, forever? Both need to revisit their bilateral relationship and move to the only recipe of normalisation they have allowed to develop in the now-dead SAARC. A relationship based on connectivity and free trade is the only recipe that will work in a world tired of Indo-Pakistan conflict. Pakistan as a revisionist state has damaged itself almost beyond repair. But its politicians do agree on the “connectivity” formula.

‘RCEP offers opportunity to engage on broader Indo-Pacific level’

Anil Sasi, The Indian Express

November 23, 2018: Australia’s Trade Minister Simon Birmingham Thursday downplayed tensions in the country’s relations with India, a week after escalating a discord with New Delhi with over sugar subsidies by formally referring the issue to the World Trade Organisation. While admitting that the negotiations between the two sides on the proposed Comprehensive Economic Cooperation Agreement (CECA) were “proving to be challenging”, Birmingham refused to rule out the bilateral pact completely but said that the Regional Comprehensive Economic Partnership (RCEP) offered a fresh opportunity to pursue trade engagements on a broader Indo-Pacific level.

On November 12 in Singapore, representatives of the proposed Regional Comprehensive Economic Partnership postponed the year-end target for reaching a “substantial conclusion” to the free trade deal.

“WTO disputes between friendly nations is not uncommon. But the bigger picture of the (bilateral) relationship has to be kept in mind,” Birmingham, in response to a question on Australia’s move to refer India to the WTO over the sugar subsidy issue, said at the sidelines of the Australian Financial Review India Business Summit 2018 here. Birmingham pointed to Australia’s WTO dispute with Canada over tariffs over wine but said that it had not impacted the bilateral relationship between the two countries.

On Friday, Australia had submitted a ‘counter-notification’ to the WTO that is expected to be discussed by the Committee on Agriculture on November 26 in Geneva. The next step would be a formal dispute action. The minister said that Canberra was working with India on reaching “a resolution” on the issue.

The Australian minister said that there was the need to broad base trade engagement between the two countries, given that just one item — coking coal — accounts for over 50 per cent of Australia’s overall exports to India. He said that in the last decade, almond exports from Australia to India have seen a five-fold increase and that items such as these showcased the opportunity for diversifying the trade basket.

“India offers Australian business more potential growth opportunities over the next 20 years than any other single market,” Birmingham said.

Economic constraints making duty elimination difficult: Commerce Ministry

Pranav Mukul, The Indian Express

November 21, 2018: Snubbing the US’ demand to eliminate duties on seven information and communication technology (ICT) products, the Ministry of Commerce & Industry is learnt to have told US trade representatives that factors such as “serious economic constraints” such as rising current account deficit and rupee depreciation “make it difficult” for India to consider the revenue loss arising out of duty elimination. India has further informed the US that duty reduction on products such as certain telecom network equipment, smartwatches, high-end mobile phones costing over Rs 10,000 and some mobile phone parts, will not benefit the US while imposing a “disproportionate and unbearable stress on a “low income country like India at a time of significant economic stress”.

Further, government sources in know of the matter told The Indian Express that India has also invoked the fact about US imposition of import tariff on steel and aluminum to protect its domestic industries as an import of 30-35 per cent of their requirements was considered a national economic and security risk. “For similar reasons, on a much more pronounced scale, the threat perception in case of India is much higher in view of huge import of ICT products, and minimal domestic production,” US was told, one of the government official said.

During 2017-18, India’s imports for the seven items on which the US has sought tariff reduction amounted to $20.44 billion, of which imports from the US were $415.26 million. The highest imports were from China at $15.03 billion, followed by Vietnam and South Korea at $905.51 million and $847.73 million, respectively. In April 2017, the Centre notified a phased manufacturing plan to boost domestic production of mobile phones by introducing import duties on products in a phased manner. As per the plan, duty was introduced on products such as charger/adapter, battery pack, wired headset during 2016-17. In 2017-18, duties were introduced on parts such as microphone and receiver, key pad, USB cable, etc. The printed circuit board assembly, camera module and connectors are to be brought under the duty regime in 2018-19; and display assembly, touch panel, vibrator motor etc are planned to be brought under duties in 2019-20.

With an aim to control the rising current account deficit and falling rupee, the government last month had raised basic customs duty on several mainline telecom network products and introduced fresh duties on printed circuit board assemblies. Base stations, optical transport gear, IP radios, MIMO/4G LTE products, VoIP phones, media gateways, gateway controllers, carrier ethernet switches, packet transport nodes and a mix of packet optical transport product or switches now attract 20 per cent duty from 15 per cent earlier. Import of printed circuit board assemblies used for these now attracts 10 per cent duty. This was a part of the move by the Indian government to curb non-essential imports.

Subsequently, according to media reports, six countries – the US, China, European Union, Japan, Canada and Norway – planned to raise concerns about India's customs duties on ICT products at the World Trade Organization (WTO) earlier this month.

India must become an integral part of the region

Lim Thuan Kuan, Hindustan Times

November 13, 2018: Prime Minister Narendra Modi is in Singapore today for the 33rd Asean Summit and Related Summits. His visit caps a year of sustained high-level engagement with the region, which started in January when all 10 Asean leaders came to New Delhi for the Asean-India Commemorative Summit to mark the 25th anniversary of relations. The leaders also attended India's Republic Day celebrations as chief guests, an unprecedented honour.

In June, Modi became the first Indian prime minister to deliver the keynote address at the Shangri-La Dialogue. Laying out a vision for the Indo-Pacific, he presented a confident and resolute India ready to take on a greater role in the region.

This week, we look forward to further realising this vision. Modi will attend Asean's year-end summits and the East Asia Summit (EAS) for the fifth consecutive year, a testament to his personal commitment to India's Act East policy.

Singapore has long advocated for India to take up its role as an integral part of the region. It is gratifying to see how Asean-India relations have grown over the past 25 years. In 1991, when the Cold War ended and India began its economic liberalisation, we saw an opportunity to deepen ties and build on its historical and cultural links with our region. We pushed for India to become a full Asean dialogue partner in 1995 and join the EAS in 2005.

Since then, Asean-India ties have strengthened. We established the Asean-India Free Trade Area (AIFTA) in 2009, and elevated relations to a Strategic Partnership in 2012. Today, India contributes actively to Asean-led fora such as the EAS, the Asean Defence Ministers Meeting Plus, and Asean

Regional Forum. All in all, around 30 platforms for cooperation exist, including seven ministerial dialogues and the annual Leaders Summit.

However, we can, and must, do more. For instance, there are tremendous opportunities in enhancing physical and digital connectivity between India and Asean.

Asean is committed to strengthening land, air, and sea linkages with India. These linkages will enhance people-to-people flows, as well as boost business, investment, and tourism. The India-Myanmar-Thailand trilateral highway will connect India's Northeast to mainland southeast Asia. While one can fly directly between India and several Asean countries, there is still much room to expand air links to support growing business and tourism. There is potential in burgeoning cruise tourism as well.

Beyond physical linkages, digital connectivity is the new frontier in the 4th Industrial Revolution. India has made great progress in innovation, start-ups, and digital inclusion. There are opportunities to apply initiatives such as Aadhaar in our region. E-commerce and FinTech are two other areas of potential collaboration. As an economic hub, Singapore can serve as a springboard to launch these ideas to southeast Asia and beyond.

India's role in Asean should be anchored by growing economic ties, a goal that both sides have steadily advanced over the years. Since 2005, the Comprehensive Economic Cooperation Agreement (CECA) has been the nucleus and nexus of our partnership. This was India's first comprehensive economic pact with another country and Singapore's first with a south Asian country. CECA paved the way for the AIFTA in 2009; following which, Asean-India trade expanded 25-fold from US$2.9 billion in 1993 to over US$73 billion in 2017.

The Regional Comprehensive Economic Partnership (RCEP) is the next step in economic integration. Covering 16 countries and over a third of global GDP and trade, RCEP will create an integrated Asian market, including half the world's population. Over the past few decades, Asia Pacific economies have grown robustly under an open and integrated regional economic architecture.

During Diwali recently, I saw many rangoli decorating homes and offices. Our region is similar — multiple countries, each diverse and bright, interconnected within a pattern that constitutes our regional architecture. As Asean Chair and in the years ahead, Singapore will do its best to invigorate this evolving mosaic of regional cooperation.

Weaving a new future for India's ailing textiles industry

Rajani Sinha, Financial Express

December 7, 2018: The textiles sector in India, primarily dominated by the unorganised and small players, had taken a major hit with demonetisation and the implementation of the goods and services tax (GST). The sector appears to be finally recovering, as reflected by the improvement in the Index of Industrial Production (IIP) and exports data over the last few months.

The government has tried to support the domestic industry by increasing import duty on several textile items. However, there are some deep-rooted problems with the sector, and these need to be addressed to see any long-term sustainable revival in the sector. At the same time, it is also disheartening to note that the Indian textiles industry—which is one of the oldest industries of the Indian economy—is finding it difficult to compete with much smaller players such as Bangladesh and Vietnam.

The textiles and apparels industry in India is valued at around $127 billion in size. The sector is a large foreign exchange earner, and is the second-largest employer (after the agricultural sector) in the country. In India, the sector enjoys the presence of the entire value chain—from fibre, yarn, fabric and apparel—apart from the availability of cheap and abundant labour. However, in spite of these benefits, India’s share in the global textiles exports is just 5%, which is minuscule as compared to China’s share of 38%. Much smaller players like Bangladesh and Vietnam have a share of 3% in global exports and are increasingly threatening India’s exports.

The exports from the sector are valued at around $37 billion, amounting to 13% of India’s total exports. The share of textiles in India’s total exports has fallen sharply—from a high of 25% in FY02. The export growth from the textiles industry was expected to jump, with the abolition of the Multi Fibre Arrangement (MFA) in 2005-06, whereby developing countries were released from export quota requirements. However, growth did not rise sharply, as the industry faced increased competition from low-cost producers like Vietnam and Bangladesh. The rise in labour cost in China could have been the perfect opportunity for India to increase its share in the global textiles industry. But India’s textiles industry has not been able to encash this opportunity, as the industry grapples with domestic issues including outdated technology, inflexible labour laws, infrastructure bottlenecks, and a fragmented nature of the industry.

In midst of the existing challenges, the industry also needs to gear up for the abolition of some of the existing export subsidies. According to the World Trade Organisation's Agreement on Subsidies and Countervailing Measures, a country needs to phase out export subsidies for a product as it achieves export competitiveness, defined as 3.25% share in world trade, and the per-capita income reaches more than $1,000 per annum. As per this agreement, India is under pressure to end export subsidy for the textiles sector by 2018. This implies that the existing subsidy schemes—including the Merchandise Export from India Scheme (MEIS) and the Export Promotion Capital Goods (EPCG) Scheme—will get affected by the same.

There are a number of factors ailing the industry and the government needs to take multiple actions to revive the industry. To begin with, the government needs to move away from export-specific subsidy, which violates WTO norms, to focus on regional and cluster subsidies, technology upgradation and skill development subsidies, which benefit all the producers. Fibre neutrality is another aspect that will give a boost to the industry. In India, cotton and manmade fibres (MMF) have differential tax treatment. It was expected that with the introduction of GST, the fibre neutrality aspect will be looked into, but the differential tax treatment continues, with cotton taxed at 5% and manmade fibres at 12%. Globally, manmade textiles and garments are in high demand, with the ratio of cotton-to-manmade-fibre consumption at 30:70. India, despite being the second-largest textiles exporter in the world, lags in this category because of unavailability of manmade fibres at competitive prices. In fact, of the total textiles and clothing exports from India, cotton accounts for around 75%. There is a need to align our production with the global consumption patterns.

While India has abundant supply of labour, flexibility in labour laws and adequate skilling will give a big boost to the textiles industry. For instance, women should be allowed to work in all three shifts, after taking into account adequate safeguard measures. This will enable the industry to employ more female workforce. The textiles industry in India is mainly dominated by small scale and unorganised players—small and medium-sized enterprises (SMEs) make up around 80% of the industry. These SMEs find it difficult to manage the latest technology. It is here that technology upgradation schemes will help Indian players to increase both their productivity and competitiveness. In addition, the government needs to carefully evaluate the various trade agreement opportunities—Bangladesh and Vietnam benefit from favourable access to some of the big apparel markets.

Lastly, the Indian textiles industry needs to move up the value chain. India has a high share in global export market in upstream products, such as fibre and yarn (14% each). However, India has a low share in value-added downstream segments. India's exports of apparels and fabrics have a share of around 3.5% each in world trade. Compare this to China's share of 40% in the apparels segment, and even smaller players like Bangladesh and Vietnam have a higher share of 5.6% and 4.2%, respectively, in global apparels exports.

The textiles industry is important not just for labour absorption and as a source of foreign exchange, but also as a symbol of India's rich heritage. We have the required ingredients in the form of raw material availability and abundant labour to make the industry a success story. There is a need to work on correcting the challenges in the form of outdated technology, inflexible labour laws and infrastructure bottlenecks. The government also needs to re-look at fibre neutrality and evaluate various trade agreement opportunities, while domestically focusing more on technology upgradation and skill development.