INDIA'S TRADE NEWS AND VIEWS
15 September to 30 September 2018

IMF, WB and WTO seek removal of barriers to service trade
The International Monetary Fund, the World Bank and the World Trade Organization Sunday collectively…

Trade ministers, chief negotiators to hold series of meetings on RCEP trade pact in October
Trade ministers and senior officials of RCEP member countries, including India and China…

G20 trade ministers say WTO reform 'urgent' as new Trump tariffs loom
Trade and investment ministers from G20 countries meeting in Argentina said there was an "urgent need" to improve the…

Trade war will help India become trading, manufacturing base: Jaitley
The global trade war has created "initial instability" but will gradually open up opportunities for India as…

India sees opportunity in escalating US-China trade war
India has spotted an opportunity to boost its exports with the second round of tariff hikes…

US-China tariffs: What's behind them, who stands to be hurt?
By imposing tariffs on $200 billion more in Chinese goods starting next week, President Donald Trump has intensified…

A new twist in global politics
Only US President Donald Trump can stand at the biggest multilateral platform, which was built to…

Chinese, American scholars disagree on China's trade policy
In light of the massive trade tariffs imposed by the US on import of Chinese products…

Decoded: Why FTAs are getting popular?
The current trade war between the US and China has put multilateralism in a bind. Erratic and inconsistent stand…

UN General Assembly 2018: Multilateralism is under fire when world needs it most, says UN Chief Antonio Guterres

UN Secretary-General Antonio Guterres warned on Tuesday that multilateralism is under fire at a time when…

Beyond South Asia—Indian foreign policy 3.0

We often speak about the need to cultivate and improve relations with countries in our…

Import duty hikes: Much ado about nothing

How effective will be Wednesday's import duty hikes on 19 supposedly non-essential items…

Why domestic cotton prices are likely to rule firm this season

Come October, in India, it's time for the arrival of the new domestic cotton. Spinning mills look…

Doable and daunting

According to statistics released by the WTO in July, the share of India in total world merchandise exports was 1.68 per…

India's reforms in 1990s evidence that openness in services contributes to growth: Report

India's economic reforms and growth story offer compelling evidence that openness in services contributes…

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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.

IMF, WB and WTO seek removal of barriers to service trade

The Financial Express

Washington, September 30, 2018: The International Monetary Fund, the World Bank and the World Trade Organization Sunday collectively sought liberalisation of the global service sector, asserting that the barriers to these services trade currently is roughly as high as those to trade in goods about a half century ago.

The report "Reinvigorating Trade and Inclusive Growth" brought out collectively by the IMF, the World Bank and the WTO, comes at a time when the Trump administration has taken a tough stand on the H-1B visas issue, a move which has badly hit not only the technology professionals and highly skilled individuals from India, but also pioneering Indian IT companies.

Services comprise some two-thirds of global GDP and employment. Yet the limited opening of service sectors to foreign competition impedes trade and productivity growth throughout the sector and the broader economy, the report said.

"As innovation further shapes which services can be traded across borders it is becoming even more important to address obstacles to that trade," it said.

"It is also important that countries open up to international competition in services provided in other ways, including through foreign direct investment and the operation of foreign affiliates, and the temporary movement of workers across borders for the purpose of supplying services," the IMF, the World Bank and the WTO said in its latest report.

Asserting that improved access to services from trade reform promotes economy-wide productivity and income growth, the report said given the sector's size, the role of services productivity in overall economic performance is evident.

"Less appreciated, though, is the interplay between services reform and manufacturing performance," it said.

Services comprise significant shares of the value added of all sectors in the economy, and this is reflected also in trade figures: while only a quarter of global trade is traded as services, on a value-added basis half of the value of global trade originates in service sectors, said the report.

Citing a 2017 study, the report said that full services trade liberalisation could raise manufacturing productivity by an average of 22 per cent across a sample of 57 countries, with larger benefits for countries with stronger institutional environments.

The WTO Deputy Chief Economist Alexander Keck, told reporters during a conference call that service sector has an enormous contributor to growth and to trade including manufacturing trade.

“It is very, very clear that we’re still sort of living off, here at the WTO, the services commitment that were made in the Uruguay round. And that the gap between those commitments and the actual services policies applied is enormous,” he said.

Noting that the report points out that in some regional agreements, that this gap has been narrowed, Keck said countries have moved further to simply narrow the gap sometimes even without changing the applied policies such as narrowing this gap outside the WTO in order to increase the certainty of the services trade environment.

“This is one of those concrete suggestions in a time where economic uncertainty has increased a lot and you will perhaps have a look at our trade forecast yesterday where we also showed that the economic uncertainty indicator has actually increased to levels higher than before the financial crisis,” the WTO economist said.

The joint report between the IMF, the World Bank and the WTO identifies areas where trade has the potential of contributing particularly strongly to productivity growth and economic growth overall.

According to the report, despite a recent rebound in trade, a prolonged slowdown in the pace of trade reform is leaving in place widespread trade distortions and putting at risk the strength and durability of the global economic recovery.

Noting that as new trade reform initiatives lagged and the benefits of past reforms levelled off, trade growth has slowed, the report said it is time to reinvest in open, rules-based global trade. At the same time, it acknowledges that extending rules-based trade openness poses new challenges and could require fresh thinking and exploring all available approaches.

Observing that the digital economy revolution is opening new opportunities for cross-border trade and investment, the report says that this is changing the nature of trade, elevating the roles of policies relating to electronic commerce, investment, and services trade.

“This reflects the international nature of supply chains and complementarity of foreign direct investment (FDI) with trade in goods and services—the ‘trade-investment-services’ nexus. The effectiveness of this nexus, and of international supply chains, is also grounded in secure property rights, including for intellectual property. The growing overlap between trade regimes and domestic policy puts extra emphasis on effective regulatory cooperation,” it said.

[Back to top]

Trade ministers, chief negotiators to hold series of meetings on RCEP trade pact in October

The Financial Express

New Delhi, September 27, 2018: Trade ministers and senior officials of RCEP member countries, including India and China, will hold series of meetings in October to iron out issues hampering negotiations over the proposed mega trade deal, an official said. The Regional Comprehensive Economic Partnership (RCEP) is a proposed free trade agreement being negotiated by 16 countries, including 10 Asean members (Brunei, Cambodia, Indonesia, Malaysia, Myanmar, Singapore, Thailand, the Philippines, Laos and Vietnam) and their six free trade agreement partners – India, China, Japan, South Korea, Australia and New Zealand, since November 2012.

The mega pact aims to relax norms and significantly cut import duties to boost trade in goods, services, promote investments, technical cooperation, and intellectual property rights. Chief negotiators will meet for a special round of talks in Jakarta from October 6-9, before the meeting of RCEP trade ministers on October 13 in Singapore.

After that, the 24th round of meeting will take place in Auckland , New Zealand from 17-24th October. “The special round is a kind of preparatory meeting for the ministerial meet,” the official, who did not wish to be named, said. The trade ministers will again meet in November to push the talks. These meetings assumes significance as several domestic industry sectors, including steel, food processing and metals are raising concerns over the presence of China in the group.They have stated that lowering or eliminating duties for China will flood Indian markets with Chinese goods.

India already has a free trade agreement with Asean (Association of South East Asian Nations), Japan, and South Korea. And it is negotiating similar pacts with Australia and New Zealand. Besides, India has a trade deficit with 10 countries in this grouping.
Trade experts too have expressed apprehensions that eliminating duties for Chinese goods may further impact domestic industries.

The trade gap with China, Korea, Indonesia and Australia has increased to USD 63.12 billion; USD 11.96 billion; USD 12.47 billion and USD 10.16 billion in 2017-18. It was USD 51.11 billion, USD 8.34 billion, USD 9.94 billion and USD 8.19 billion, respectively, in the previous financial year 2016-17.

"Free trade agreements are not about only giving market access, but also getting that access in other countries. Also, India may not get huge market access in services also," said Biswajit Dhar, professor of economics at Jawaharlal Nehru University. India is pushing for liberalising norms to promote services trade as the sector accounts for about 55 per cent of the country's GDP.

Commerce and Industry Minister Suresh Prabhu had earlier this month stated that negotiations for the mega-trade deal will continue in 2019 as more rounds of talks are required to sort out issues pertaining to goods and services. The negotiations have dragged on as the member countries want an agreement over the removal of customs duties on the maximum number of products traded between them.

However, countries like India have certain reservations on this as the grouping includes China, with which New Delhi has a huge trade deficit. India is looking for a balanced trade agreement as it would cover 40 per cent of the global GDP and over 42 per cent of the world's population.

[Back to top]

G20 trade ministers say WTO reform 'urgent' as new Trump tariffs loom

Mar Del Plata, The Indian Express

September 15, 2018: Trade and investment ministers from G20 countries meeting in Argentina said there was an "urgent need" to improve the World Trade Organization, a joint statement issued from the summit said on Friday.

With US President Donald Trump readying tariffs on another $200 billion in Chinese goods, the ministers said they were "stepping up the dialogue" on international trade disputes, according to the statement.

It did not provide any details of possible WTO reforms or how dialogue on trade was being increased.

“Obviously the new tariff measures are not positive,” Argentina’s Production and Labor Minister, Dante Sica, said in a news conference at the end of the one-day meeting. “But we need to see how things evolve.”

Outside the meeting, smoke filled the air in the normally tranquil seaside city of Mar Del Plata where the conference is being held. Protesters burned makeshift American flags and chanted against free trade orthodoxy and Trump’s support of Argentina’s cash-strapped President Mauricio Macri, whose fiscal belt-tightening has garnered a backlash from the country’s working-class.

“We’re standing here in solidarity with the workers of Latin America. While those politicians sleep in fancy beds, communities starve because of trade and adjustment policies that hurt the most vulnerable,” protestor Maralin Cornil, 30, said.

Argentina holds the G20’s rotating presidency this year, and is currently re-negotiating a $50 billion stand-by financing deal with the IMF, cutting its fiscal deficit targets and reducing costs to ensure it can continue paying its international debts.

Trump has said he would attend the summit’s final meeting with other heads of state, to be held in Buenos Aires on November 30.

The Trump administration has demanded that China cut its $375 billion trade surplus with the United States, end policies aimed at acquiring US technologies and intellectual property and roll back high-tech industrial subsidies.

While Trump has threatened to pull the United States from the WTO, China has called for WTO reform to make the global trade system fairer and more effective.

The 23-year-old trading club is run on the basis of consensus, meaning that every one of its 164 members has an effective veto and it is almost impossible to get agreement on any change to the rules.

Sica also said that talks on a free trade deal between the European Union and the Mercosur trade bloc of Argentina, Brazil, Paraguay and Uruguay were wrapping up, with an agreement likely by the end of the year.

“We are in the final stages regarding the most delicate aspects of an EU-Mercosur agreement and we are concluding with the political and technical details,” Sica said.

[Back to top]

Trade war will help India become trading, manufacturing base: Jaitley

Hindustan Times

New Delhi, September 28, 2018: The global trade war has created “initial instability” but will gradually open up opportunities for India as a trading and manufacturing base, said Finance Minister Arun Jaitley on Friday.

Experts say that the trade war between the United States of America and China could make Indian machinery, electrical equipment, vehicles and transport parts, chemicals, plastics, and rubber products competitive in the American market.

“The trade war initially created instability, but eventually may open up greater markets. They will open up India as a bigger trading and manufacturing base and, therefore, we must closely watch the situation as to when the challenge turns into an opportunity,” Jaitley said in a video conference speech to the annual session of PHD Chamber of Commerce.

Jaitley said rising oil prices pose a challenge for the economy, as India is a net importer of crude oil. India is the third-largest importer of crude oil, and rising international crude oil prices are inflating domestic transport fuel rates in a strong demand environment. Brent, the benchmark for half of world’s oil, climbed to $80 per barrel from $71 in the last five weeks.

“Not withstanding these challenges, I’m quite certain that in the days and years to come, there are great opportunities for India in order to grow,” he said. Asking businesses to be ethical, Jaitley said the Insolvency and Bankruptcy Code (IBC) will shut the doors on “fly-by-night” operators.

“While free trade is allowed the emphasis also has to be on ethics of the business. Those who should be paying taxes must be paying taxes and the taxpayers should not be burdened with those who evade taxes. Therefore, one of the most ethical practices has to be to bring in those who evade taxes within the tax net,” he said.

“It will pay to be ethical - that is the kind of culture we are trying to introduce and that is the kind of culture Indian businesses should encourage,” he said.

[Back to top]

India sees opportunity in escalating US-China trade war

Asit Ranjan Mishra, Live Mint

New Delhi, September 28, 2018: at a disadvantage. India has spotted an opportunity to boost its exports with the second round of tariff hikes by the Donald Trump administration on $200 billion of Chinese imports putting the US

The commerce ministry is currently consulting various export councils to shortlist items, especially in sectors such as chemicals, pharmaceuticals and electrical parts, where India could have a comparative advantage.

“There are a lot of items that we need to identify and push for them. We are talking to our exporters through the export promotion councils and pushing them to increase exports to the US,” a commerce ministry official said, requesting anonymity.

The 10% tariff hike on Chinese goods came into effect on Monday, and is expected to go up to 25% at the end of 2018, given Beijing’s retaliatory moves. The two sides have already slapped tariffs on $50 billion worth of imports from either side.

India is looking for ways to boost exports and cut non-essential imports in the backdrop of its current account deficit (CAD) touching 2.4% in the June quarter and the sharp depreciation of the rupee.

The official cited above said that even if India has not been exporting some items to the US at present because of its cost disadvantage vis-à-vis Chinese products, it can start exporting them after the recent tariff hikes, which give it an edge.

“There are items such as electricity parts and switches which small-scale industries produce in India. We have become cost-competitive in such items, but we don’t have the production capacity. Nobody would like to expand capacity through fresh investments, as we don’t know how long these sanctions will last.”

India’s trade surplus of $21 billion with the US has often attrac-ted the ire of US President Trump, who claims India follows discriminatory trade practices against US exports. Trump on Friday said he wants to stop the subsidies that growing economies like India and China have been receiving as he wants the US, “a developing nation”, to grow faster than any other.

Last week, India had deferred tit-for-tat tariffs for the third time against 29 Ame-rican products worth $235 million by 45 days. The move was considered to counter the US's move to unilaterally raise import duties on Indian steel and aluminium products. India and the US are now engaged in finalizing a trade package to ease tensions.

India's exports of steel items to the US fell 42% in the June quarter, while its aluminium items exports to the US, facing similar sanctions, jumped 59%, *Mint* reported on 3 September.

The US Trade Representative is reviewing India's eligibility for the generalized system of preferences (GSP), after the US dairy and medical device industries requested a review of India's GSP benefits, given its alleged trade barriers affecting US exports in these sectors.

The GSP programme allows duty-free entry of 1,937 products worth $5.6 billion from India into the US, benefiting exporters of textiles, engineering, gems and jewellery, and chemicals. The US has been trying to leverage the GSP review to gain more market access in India.

[Back to top]

US-China tariffs: What's behind them, who stands to be hurt?

Wah Musli, The Times of India

Washington, September 18, 2018: By imposing tariffs on $200 billion more in Chinese goods starting next week, President Donald Trump has intensified his trade war with Beijing and triggered the likelihood of price increases for many American companies and consumers.
Beijing has said it will swiftly retaliate against American exporters — a move that stands to hurt US farmers and other companies that sell their products to China. Beijing may also raise obstacles for US companies to do business in China.

Here's a look at what's happening and its likely impact.

WHAT IS THE US DOING?

The Trump administration will begin taxing $200 billion in Chinese goods starting Monday. The tariffs will start at 10 percent and rise to 25 percent in 2019.

The target list is huge, ranging from rattan mats to burglar alarms to bicycles. But the administration struck some items from the originally planned $200 billion tariff list, including bicycle helmets and other child safety products. And, in a victory for Apple Inc., smart watches and some other electronics products won't be subject to the new tariffs, either.

The administration and Beijing have already imposed import taxes on $50 billion worth of each other's products. Beijing's target list of US goods to penalize was heavy on agriculture.

That's hardly a coincidence. Its tariffs are meant to deliver pain to American farmers, who overwhelmingly backed Trump in the 2016 election and whose interests are represented by powerful lobbyists and members of Congress. Exports to China account for about 60 percent of the overseas sales of American soybean farmers, who stand to lose sales as a result of China's tariffs.

WHAT'S BEHIND THE US-CHINA RIFT?

The Trump administration has accused China of using predatory tactics in a lawless drive to overtake America's technological supremacy. US officials point to Beijing's long-range development plan, "Made in China 2025," which calls for creating powerful Chinese entities in such areas as information technology, robotics, aerospace equipment, electric vehicles and biopharmaceuticals.

Foreign business groups argue that "Made in China 2025" is unfairly forcing them to the sidelines in those industries. The Office of the US Trade Representative concluded after an investigation that China's tactics range from requiring US and other foreign companies to hand over technology in return for access to the vast Chinese market to outright cyber-theft. The US also asserts that Beijing uses state money to buy American technology at prices unaffordable for private companies.

The Trump administration said the new tariffs on an additional $200 billion in Chinese imports was a response to Beijing's failure so far to end those tactics.

WHAT'S THE LIKELY IMPACT FROM A US-CHINA TRADE WAR?

It's not entirely clear. Economists at Bank of America Merrill Lynch have warned that a full-fledged trade war, especially one that lasts more than a year, would slow the US economy. By disrupting supply chains, eroding business confidence and heightening uncertainty, a trade war, they say, could "push the economy toward full-blown recession" and jeopardize America's economic expansion — the second-longest on record.

Besides American soybean farmers, American manufacturers are also being squeezed. Machinery and components used in finished goods made in the United States have been affected. US manufacturers are having to pay more for parts and equipment, thereby putting them at a competitive disadvantage to foreign rivals.

ISN'T THE US ALSO SPARRING WITH OTHER TRADING PARTNERS?

Trump is battling in just about every direction. He has imposed tariffs on imported steel and aluminum — action that has drawn retaliatory tariffs from US allies like Canada, Mexico and the European Union. The president is also threatening to impose tariffs on imported vehicles and auto parts on the grounds that they pose a threat to America's national security.

Trump also wants to replace the North American Free Trade Agreement, which includes the United States, Mexico and Canada, with a new agreement that would shift more auto production to the US The administration has already reached a deal with Mexico that excluded Canada. Talks to keep Canada in a North American trade bloc have been ongoing, with the two longtime allies divided over such issues as Canada's dairy market and US efforts to shield drug companies from generic competition.

By brawling with America's friends, critics say, Trump has squandered an opportunity to build a united front against China. After all, Europe, Japan and other rich countries have the same complaints about Chinese trade practices that America does.

IS THERE ANY REASON TO EXPECT A RESOLUTION?

There have been periodic reports that the Trump administration was on the verge of resuming talks with Beijing. Informal communications are still going on, administration officials have said, but no formal talks are scheduled.

For a time, it looked as though peace might be at hand. In May, Treasury Secretary Steven Mnuchin declared the trade war "on hold." The Trump administration suspended its tariffs after Beijing agreed to increase its purchases of US goods, especially in agriculture and energy. The idea was that China's additional purchases would shrink its trade surplus with the United States. Yet the cease-fire was short-lived. Critics dismissed Beijing's commitments as vague, and Trump decided to proceed with the tariffs after all.

HAVE THERE BEEN TRADE WARS BEFORE?

You'd have to go back to the 1930s to find anything close to the hostility between the US and its top trading partners right now. During the Great Depression, many countries, including the United States, closed their markets to imports. A plunge in global trade likely worsened the Depression.

Many less intense trade conflicts have followed. President Ronald Reagan slapped tariffs on $300 million worth of Japanese imports in a dispute over the semiconductor industry and strong-armed Tokyo into accepting limits on car shipments to the United States.

In 2002, President George W. Bush imposed tariffs on Chinese steel. The move allowed US steel producers to increase prices, raising costs for companies that buy steel and pressuring them to cut back elsewhere. But the tariffs are thought to have cost significant US job losses.

In 2009, the Obama administration imposed tariffs on Chinese tires, charging that a surge in imports was hurting the US tire industry. Beijing counterpunched. It imposed a tax of up to 105 percent on US chicken feet — a throwaway item in the US that's considered a delicacy in China. The Peterson Institute for International Economics calculated that the tariffs probably saved 1,200 American tire jobs. But consumers paid over $900,000 in higher tire prices for each job saved.

[Back to top]

A new twist in global politics

Harsh V. Pant , Live Mint

September 27, 2018: Only US President Donald Trump can stand at the biggest multilateral platform, which was built to help nations shed their nationalistic impulses, and call upon the international community to reject globalism and embrace patriotism, in his speech at the United National General Assembly (UNGA). Trump underlined his visceral dislike of multilateral institutions by arguing that "America is governed by Americans," and that the US rejects "the ideology of globalism and we embrace the doctrine of patriotism." By doing this, Trump once again returned to the theme of his last UNGA speech: the primacy of national sovereignty in international relations. His speech was also a response to the UN Secretary General António Guterres' recent warning that "multilateralism is under attack from many directions," pushing the international community to "press for a renewed commitment to a rules based order and to the United Nations."

Though Trump's speech echoed much of what he had said last year at the UNGA, his target this time was Iran, not North Korea. Threatening to "totally destroy" North Korea last year, Trump had derided Kim Jong-un as the "Rocket Man" who was "on a suicide mission for himself and for his regime." This year, he thanked the North Korean dictator for his "courage, and for the steps he has taken" and trained his guns at Iran, describing the Iranian regime as "brutal" and "corrupt." Reminiscent of George W. Bush's remarks before the 2003 US invasion of Iraq, Trump thundered, "We cannot allow the world's leading sponsor of terrorism to possess the planet's most dangerous weapons." The Iranian President, Hasan Rouhani responded by mocking Trump's North Korea outreach as "photo op diplomacy" and by asking the US to come back to the negotiating table by returning to UN Security Council resolution 2231, which codified the JCPOA.

Trump has challenged the global order at multiple levels: initiating trade disputes with close allies, challenging traditional alliances in the West, withdrawing the US from global agreements such as the Paris climate accord and the JCPOA, pulling out of the global compact on migration, and threatening to try International Criminal Court prosecutors if they pursue US nationals. Washington has cut hundreds of millions of dollars in financial assistance to Palestinian refugees, hoping that the move would compel Palestinian President Mahmoud Abbas to participate in US-led peace talks with Israel.

The US foreign policy has been overhauled but it is simplistic to boil this all down to the Trump factor alone. As policy commentator Robert Kagan suggests, the world "may have to start facing the fact that what we're seeing today is not a spasm but a new direction in American foreign policy, or rather a return to older traditions—the kind that kept us on the sidelines while fascism and militarism almost conquered the world."

The Trump administration's distancing itself from multilateralism is beginning to have an impact at the UN whereas a rising China is making its presence felt in multiple ways. Beijing is beginning to shape global discourse ever so subtly, and in the process, challenging the American-led global order. China has already emerged as a key player in the UN peacekeeping effort, contributing around 10.25% of the total UN peacekeeping budget, and providing more peacekeeping troops than the other four permanent members of the security council combined since 2012. China will be spending around $1 billion on peacekeeping over the next five years and trained more than 8,000 People's Liberation Army troops to serve as standby militia for UN peacekeeping operations.

America's withdrawal from bodies such as the UN Human Rights Council and the UNESCO is also opening up new possibilities for Beijing. Jettisoning its earlier approach of ignoring organisations which do not gel with its values, China now seeks to proactively engage these institutions so as to shape their agenda. For example, it is now working actively in the UN Human Rights Council seeking a cut in UN budgets on human rights issues and changing its normative vocabulary.

In his inaugural address to the UN general Assembly, the then US President Harry Truman had suggested that it symbolized "the abandonment by the United States of a policy of isolation." Today, the US President is proclaiming "the success of the United Nations depends upon the independent strength of its members," pledging to revive the "principle of sovereignty."

Indian strategic thinking has evolved over the last several decades deeply suspicious of American multilateralism and a strong proponent of preserving the nation's sovereignty. Both the Left and the Right in India have done a lot of sloganeering on this issue, berating the US, and making common cause with Russia and China to challenge the American global order. America's talk of multilateralism was viewed as a ploy to dilute Indian's sovereign rights by stealth. It is a sign of the treacherous nature of the times in which we live that many in India are befuddled when the US is speaking a language that India should be rather comfortable with. We are berating the US today for not standing up for the same multilateral order which we so despised.

The trouble for New Delhi is that the order which Beijing might be building will challenge Indian interests in more fundamental ways than the American-led global order ever did.

[Back to top]

Chinese, American scholars disagree on China's trade policy

The Financial Express

Washington, September 29, 2018: In light of the massive trade tariffs imposed by the US on import of Chinese products, leading experts have expressed vastly divergent views on the prospect of a US-China trade war, with the Chinese insisting that existing arrangements have enhanced prosperity in both the countries.

"We have yet to see China fully liberalise or open its markets to American investors," said Ken Weinstein, president of Washington-based Hudson Institute, at a dialogue with scholars from Beijing's Center for China and Globalisation. Weinstein cited "serious issues in the US-China relationship," including "intellectual property theft, the role of heavily subsidised state-owned enterprises tied in some cases to the People's Liberation Army and ministries, trade undertakings for strategic purposes, below market costs, dumping of products, there is a long list of issues we are here to discuss on the American side."

CCG President Huiyao Wang said both the countries had received benefits from their close ties over the past 40 years and hoped that the Trump administration will build on those gains instead of changing the situation. “In the past, the United States played a positive role in China’s reform and opening up,” Wang said. “Since China joined WTO, US exports to China have increased by 500 per cent, far exceeding the 90 per cent increase in US global exports over the same period,” he added.

“China has become the second largest destination for US exports and US enjoyed a trade surplus in services of US USD 53 billion over China” in 2017, which could be lost amidst threats of a trade war, the Chinese scholar said. The head of Hudson Institute’s Center on China Studies, Michael Pillsbury, said the Chinese scholars made “China’s case in great detail” but it was “not enough” to address the concerns voiced by US President Donald Trump about trade ties. Former Pakistani ambassador to the US, Husain Haqqani, who is director for South and Central Asia at Hudson Institute said the problem in China-US relations stems from the huge gap in transparency levels in the two countries’ political systems.

“Chinese scholars cited American trade organisations and members of Congress who disagree with President Trump but we cannot engage with Chinese critics of President Xi’s policies,” he quipped. Haqqani said lack of transparency on China’s part raised questions about rules and laws in China being applied evenly to everyone.

“Chinese companies coerce their joint venture partners into sharing technology, denying American companies the advantage of innovation,” he said by way of example. According to Haqqani, China concealed strategic ambitions under its economic activity and some of its initiatives did not make economic sense, raised doubts China must address. He cited the example of China’s interest in the Maldives and Sri Lanka, and said, “These are not economic or trade-based decisions. These are strategic moves aimed at gaining advantage in the Indian Ocean region.”

[Back to top]

Decoded: Why FTAs are getting popular?

Anil K Kanungo, The Financial Express

New Delhi, September 29, 2018: The current trade war between the US and China has put multilateralism in a bind. Erratic and inconsistent stand of the US has sent out confusing signals to the world economy and thwarts the very existence of both the World Trade Organisation (WTO) and multilateralism. Under such uncertainties, many developing countries are left with limited options of signing regional trade agreements with their emerging and comfortable trade partners. Therefore, the idea of establishing free trade agreements (FTAs) is gaining ground. Policymakers and economists believe FTAs could play a crucial role in pursuing the trade reform agenda. It's important to discuss the issue in detail.

First, the complementarities that exist between FTAs and the multilateral trading system governed by WTO rules can benefit member countries in various ways, like slowly boosting global free trade by allowing member countries to intensify their level of competition, providing time to the domestic industry to adjust, and creating an arena to tackle difficult issues like agricultural subsidies and trade in services. Besides, the circles of trade that are created through this exercise can help converge to form expansive multilateral agreements. Basically the argument is that if a country is not yet ready for global competition, it can pick and choose trading partners with which it feels relatively more comfortable. This may help raise a country's confidence and competitiveness, and pave the way for eventual free trade at the global level.

Second, a critical aspect of forming FTAs, which could be seen as an advantage, is the fact that it allows countries to phase and sequence their liberalisation episodes in a manner that can optimise the benefits. It may be argued that this has been one of the factors propelling countries to engage in FTA negotiations.

Third, the long-term political and ethnic hostility among various member countries can be minimised to an extent with the signing of FTAs, and this, in a way, can contribute towards the efforts of establishing a multilateral trading regime as FTAs are flourishing across the continent in tandem. In other words, formation of FTAs can be seen as a strategic move to consolidate peace and increase regional security among member countries. Ideally speaking, this arrangement should help benefit countries forming a trade bloc. But the realpolitik played by developed countries sometimes tends to deliver different things to developing country or countries if it is, or they are, part of that regional arrangement. For instance, RTAs often used by developed countries provide increased discriminatory access to a larger market, and as a result developed countries are always in the lookout of garnering maximum support on the political front to pacify the overall hostility arising out of this arrangement. It is also apparent that most political RTAs are not driven by pure economics. However, in political arrangements, particularly where a large developed country is involved, there is always the possibility that the interests of smaller countries are going to get marginalised. It cuts ice both ways, depends how best one can reap the benefits of this arrangement.

Fourth, setting up of FTAs can promote the spirit of open regionalism which would be complementary to a non-discriminatory multilateral system, as espoused by the WTO. The open regionalism—i.e. agreements with low external trade barriers, non-restrictive rules of origin, liberalised service markets and a dominant focus on reducing transaction costs at borders—can reduce many complexities such as restrictive rules of origin of international trading system.

Fifth, among other economic factors that are propagating regionalism or formation of FTAs are FDI and the advantages associated with the economies of scale. FDI has become an important source of foreign capital inflow and key promoter of economic growth for developing countries. It is increasingly felt that countries join RTA or FTA to attract FDI. On somewhat similar reasons, it is also suggested that smaller countries join FTAs because it can offer domestic firms the advantage of the economies of scale.

Sixth, another angle to this entire debate of forming FTAs—whether it is productive or beneficial to developing countries—is propagated by a few experts who express that there has been a consistent dominance and monopoly of developed countries, particularly the US and the EU, with their huge presence of large and foreign capital in developing regions. With this capital, they may be luring various developing countries to make more and deeper trade and investment commitments through regional agreements with them in anticipation that it would help them achieve higher growth. On the other hand, there has been a marked difference among developing countries in their approach to entering RTAs with developed countries. That is to believe and argue by the same group of experts that developing countries are forging trade linkages among themselves through regional arrangements to resist the hegemony of large powers in world trade. This may be seen as a strategic move among like-minded developing countries to forge FTAs and that's the reason why there is a surge towards establishing so many RTAs or FTAs in different regions, especially in the developing part of the world.

All this suggests why there is an upward march towards forming regional arrangements of any kind among developing countries in the world. Until and unless a fair, transparent and trustworthy multilateral regime governed through the WTO is in place, the world is going to witness more of these FTAs.

[Back to top]

UN General Assembly 2018: Multilateralism is under fire when world needs it most, says UN Chief Antonio Guterres

The Financial Express

United Nation, September 26, 2018: UN Secretary-General Antonio Guterres warned on Tuesday that multilateralism is under fire at a time when the world needs it most. "Our world is suffering from a bad case of 'trust deficit disorder'," Guterres told world leaders attending this year's high-level General Debate of the UN General Assembly. "And multilateralism is under fire precisely when we need it most."

Trust is at a breaking point — trust in national institutions, trust among states, trust in the rules-based global order, he said. "Within countries, people are losing faith in political establishments, polarization is on the rise and populism is on the march," Xinhua reported.

Among countries, cooperation is less certain and more difficult. And divisions in the Security Council are stark. Trust in global governance is also fragile, as 21st-century challenges outpace 20th-century institutions and mindsets, said the UN chief.

“We have never had a true system of global governance, and much less a fully democratic one,” said Guterres in his “state-of-the-world” speech that preceded those of world leaders at the General Debate.

“Still, across many decades, we established solid foundations for international cooperation. We came together as united nations to build institutions, norms and rules to advance our shared interests. We raised standards of living for millions. We forged peace in troubled lands and, indeed, we avoided a third world war. But none of this can be taken for granted.”

The world is becoming multipolar. But multipolarity will not, in itself, guarantee peace or solve global problems, he warned.

A century ago, Europe was multipolar. A balance of power was deemed sufficient to keep rivals in check. It was not. Without strong multilateral frameworks for Europe-wide cooperation and problem-solving, the result was a grievous world war.

Today, with shifts in the balance of power, the risk of confrontation may increase, warned Guterres.

But conflict is never inevitable, he said. “Indeed, with leadership committed to strategic cooperation and to managing competing interests, we can avoid war and steer the world onto a safer path.”

Today, the world order is increasingly chaotic. Power relations are less clear. Universal values are being eroded. Democratic principles are under siege, and the rule of law is being undermined. Impunity is on the rise, as leaders and states push the boundaries, both at home and in the international arena, he said.

The threat of terror looms, fed by the root causes of radicalization and violent extremism. And terrorism is ever more interlinked with international organised crime and the trafficking of people, drugs, arms and corruption, he said.

The nuclear peril has not eased, with non-proliferation at serious risk. Nuclear-armed states are modernizing their arsenals. A new arms race could be triggered, and the threshold for their use lowered, said the UN chief.

“We have seen outrageous uses of chemical weapons, in full impunity despite their ban, and protections against dangerous biological weapons are weak.” He said that inequality is undermining faith in the social contract and is a clear obstacle to the achievement of the Sustainable Development Goals.

Tensions over trade are on the rise, he noted.

Migrants and refugees continue to face discrimination and demagoguery in the context of clearly insufficient international cooperation. And in this year marking the 70th anniversary of the Universal Declaration of Human Rights, the human rights agenda is losing ground and authoritarianism is on the rise.

“There is outrage at our inability to end the wars in Syria, Yemen and elsewhere,” he said. “The Rohingya people remain exiled, traumatized and in misery, still yearning for safety and justice. Palestinians and Israelis are still locked in endless conflict, with the two-state solution more and more distant.”

On the positive side, there is momentum for peace in the Horn of Africa as a result of detente between Ethiopia and Eritrea; in South Sudan; and in Colombia.

The Singapore summit between US President Donald Trump and the top leader of the Democratic People’s Republic of Korea and a recent summit meeting in Pyongyang between the two Koreas have helped de-escalate the tensions on the Korean Peninsula, he noted.

Hundreds of millions of people have been lifted out of extreme poverty across the world over the past three decades, and drive for gender equality is gaining ground, he observed. “Despite the chaos and confusion in our world, I see winds of hope blowing around the globe.” He called for action by world leaders.

Individual leaders have the duty to advance the well-being of their people. But it runs deeper. Together, as guardians of the common good, leaders also have a duty to promote and support a reformed, reinvigorated and strengthened multilateral system, he said.

“We need commitments to a rules-based order, with the United Nations at its centre and with the different institutions and treaties that bring the (UN) Charter to life. And we need to show the added value of international cooperation by delivering peace, defending human rights and driving economic and social progress for women and men everywhere.”

In the face of massive, existential threats to people and the planet — but equally at a time of compelling opportunities for shared prosperity — there is no way forward but collective, common-sense action for the common good, he said.

As the politics of pessimism spreads, the world must guard against self-fulfilling prophecies, he warned. Those who see their neighbours as dangerous may cause a threat where there was none. Those who close their borders to regular migration only fuel the work of traffickers. And those who ignore human rights in combating terrorism tend to breed the very extremism they are trying to end.

"Our future rests on solidarity. We must repair broken trust. We must reinvigorate our multilateral project," said Guterres.

[Back to top]

Beyond South Asia—Indian foreign policy 3.0

G.Parthasarathy, Live Mint

New Delhi, September 27, 2018: We often speak about the need to cultivate and improve relations with countries in our "neighbourhood". But we are, more often than not, quite confused about what constitutes our "neighbourhood". Many define our "neighbourhood" by loosely using the term "South Asia". This term entered the diplomatic lexicon of the US state department in the 1970s/1980s. It was increasingly used thereafter. "South Asia" was then defined as extending across what the British loosely called "British India", or the "Indian subcontinent".

Not surprisingly, many of our scholars soon started using the term "South Asia" to define the geographical limits of India's strategic frontiers. With our economy on the verge of collapse in 1990-1991, we found it convenient to limit our international economic vision, till the middle of the 1990s, to what was popularly alluded to as "South Asia". This was only natural, given the fact that we had then adopted a disastrous economic policy of "import substitution", which was a recipe for an average annual rate of growth of 3-4%. Our economic policies had then also resulted in our having negligible trade and economic ties with the dynamic economies of East and South-East Asia.

This region of South Asia/British India was of little relevance or interest in the context of global economic developments. On the other hand, countries in our eastern neighbourhood, extending beyond the Straits of Malacca, were proceeding on a high growth path by the 1970s. This enabled East and South-East Asia to soon become the fastest growing economic regions in the world.

Most importantly, it was during this period that, under the visionary leadership of Deng Xiaoping, China commenced what was an economic revolution. Beijing dumped its "socialist" policies in the dustbin and thereafter became the fastest growing economy in the world. It required a visionary like former prime minister of India Narasimha Rao to realize the importance of integrating our economy with the fast-growing economies of East and South-East Asia, with what he designated as a "Look East" policy.

Comprehensive national power

In today's world, the influence of a country depends largely, and indeed primarily, on the strength of its economy, which enhances its role in and contribution to regional and global trade, investment and economic progress. This has to be coupled with the country's ability to defend its land and maritime frontiers. India and China had played a significant and even dominant role in world trade till the advent of European colonial domination and rule. India is estimated to have had the largest economy in the medieval world, until the 16th century. English historian Angus Maddison has estimated that India's share in world income was roughly 27% back then, as against Europe's share of 23%.

Following two centuries of colonial domination, India's share of global trade fell to 1.9%, while China's share was less than ours—a mere 1% in the 1940s. Our share of world trade has today reached around 2%. In marked contrast, China is today the world's largest exporter, with nearly 14% of world exports. Trade in goods and services and the outward and inward flow of foreign investments play a crucial role in any country's overall strength and influence in the world today. It is not surprising that China's dramatic rate of economic growth over the past three decades has enabled it to emerge as one of the two leading powers in the world today—becoming the world's second-largest economy. While economic power is a crucial element today in determining the influence a country wields, economic power has to be supplemented by national unity, political resilience and military strength for it to wield influence regionally and globally. India has much to learn from China's experience. Mere rhetoric and pretensions are no substitute for what the Chinese refer to as "Comprehensive National Power".

Mercifully, the economic crisis of 1990-1991, when we were all but totally bankrupt economically, compelled us to liberalize our economy, throw policies of "import substitution" into the wastepaper basket and embark on a policy of economic liberalization. This was coupled with seeking economic integration with the fastest growing economies of the world in East and South-East Asia. These long-overdue economic reforms enabled us to accelerate rates of economic growth to over 7% annually. Our Free Trade Agreements with Association of Southeast Asian Nations (ASEAN)and Comprehensive Economic Cooperation Agreements with Japan and South Korea now place us in parallel with the dynamic, fast-growing countries to our east. This has been augmented by strategic partnerships with countries across East and South-East Asia. It is this growing economic integration that enables us to fashion partnerships beyond our eastern borders to balance the power of a growingly assertive and jingoistic China.

The conflict-ridden West Asia and Afpak

The political, economic and geopolitical situation in our oil-rich western neighbourhood is different from what is happening to our east. The 9/11 terrorist attacks on New York and Washington DC, accompanied by a growing American military presence in the region, have also changed the strategic scenario across our western borders. Our "Afpak" neighbourhood has now emerged as the epicentre of international terrorism. While the rest of South Asia is now focused on democracy and economic growth, Afghanistan and Pakistan (Afpak) are mired in a vortex of great power rivalry, pitting the US against Russia and China. We have to delicately manoeuvre in this region, where China and Russia have made common cause to strongly back the Taliban. While seeking to balance Chinese power, we have to combine our regional initiatives with sustaining our crucial defence and energy relationships with Russia.

This is the geopolitical scenario which is going to keep us occupied in coming years, especially given our concerns about Pakistan-sponsored terrorism. It is also a situation, which is going to be inevitably embedded with what is happening further westwards, from Iran to Turkey, across Saudi Arabia and the oil-rich Arab Gulf countries. This region, popularly alluded to by the Americans as South-West Asia, is now in the midst of fratricidal Shia-Sunni and Arab-Persian rivalries. Trump's US is backing Saudi Arabia while imposing sanctions on Iran. Tehran is now virtually under a Russian-Chinese security and energy umbrella. We are also increasingly importing oil from the US, while at the same time having a thriving investment partnership on the exploration and refining of oil and natural gas with Russia. US sanctions on Russia cover both arms supplies and energy-related projects.

Over six million Indians reside in the politically volatile Persian/Arab Gulf Region. They remit back over $40 billion annually—money that is crucial for India to maintain a healthy balance of payments. Moreover, 70% of our oil imports are from this region. Being able to respond to emergencies affecting the lives of Indian nationals is crucial. The recent agreement, concluded during the "2+2 talks" with the US, enables us to cooperate and coordinate action with the US Fifth Fleet, based in Bahrain, across our western maritime frontiers. This is essential if we are to respond expeditiously to situations where the lives of Indian nationals may be endangered because of conflicts and regional rivalries. This agreement enables us to not only safeguard the security of oil and gas imports to India and beyond from the Gulf Region, but is also important for the security of over six million Indian residents there.

Rethinking our strategic frontiers

All these developments have now led to a more rational and realistic understanding of where India's "strategic frontiers" lie. Our energy needs and the safety and security of our nationals will depend largely on how we contribute to the stability of a neighbourhood extending from our western maritime borders to the Straits of Hormuz and to the Gulf of Aden. Apart from actions to protect our energy security by interactions with countries across our western shores, our economic progress is also going to be significantly influenced by the speed and imagination with which we respond to economic opportunities and challenges across our eastern shores. The growth of Chinese maritime power is going to seriously affect developments across the entire Indian Ocean region, from the Straits of Malacca to the Straits of Hormuz.

A stable and effective balance of power has to be achieved across our eastern shores in South and South-East Asia to meet challenges posed by an assertive China in our eastern neighbourhood. This would require imaginative diplomacy with ASEAN countries, especially, Indonesia and Vietnam, apart from major economies like Japan, South Korea and Australia. We also need to remember that this entire region is substantially integrated economically. Much will depend on how we can contribute economically to growth and progress across our eastern shores. Dealing effectively with an aggressive and assertive China is going to require a careful and imaginative mix of diplomacy, economic cooperation, and military/maritime cooperation.

[Back to top]

Import duty hikes: Much ado about nothing

Harsha Jethmalani, Pallavi Pengonda, Live Mint

September 28, 2018: How effective will be Wednesday's import duty hikes on 19 supposedly non-essential items?

In a nutshell, not much.

Given that these are a small share of overall imports, the measures would help reduce imports by only about $500 million (0.1% of total imports), which is quite small, economists from Nomura said in a report on Thursday.

Will it help curb the rupee's fall? Not really. Bank of America Merrill Lynch Global Research does not see the 2-10% increase in import tariffs on $10-15 billion of imports materially supporting the Indian rupee.

Even as the government has included consumption-related articles in their current list of import duty hikes, the fact that the share of these items is small in the overall pie means that the needle wouldn't move much.

Reports say the current nominal import duty hikes will help the government raise revenue worth about Rs4,000 crore. That's loose change. The only consolation for investors can be that this move is a small sentiment lifter. Perhaps it also holds out the hope that the government is going to continue to take steps to arrest the rupee's weakness.

Importantly, gold was spared and to that extent, this should put a check on unofficial gold imports into the country. Not surprisingly, shares of Titan Co. Ltd were trading higher on Thursday.

Also, steel, which was much talked-about as an item that could be included, was left out of the purview of the current duty hikes.

The most unusual item on the list is aviation turbine fuel (ATF), the duty on which was increase to 5% from nil earlier. ATF imports are a small proportion and, as such, the impact is expected to be limited.

A few jewellery and related items have seen a tax increase but it would be foolhardy to expect a curtailment in demand, with these items not being very price-sensitive. To the extent some of these are re-exported, the impact on the current account deficit is even more limited, says BofA Merrill Lynch.

Meanwhile, the tariff hike on air conditioners, refrigerators and washing machine would have a bearing on consumer durable companies. Since most Indian consumer durable companies import a meaningful part of their raw material (around 30-50%) from countries such as China, the duty hike coupled with a depreciating rupee will have an adverse impact on their gross margins.

Foreign brokerage CLSA has said that Voltas's joint venture with Turkey-based company Arcelik would be hurt as the appliances are 100% imported and their domestic factory will likely take a year to start. Another casualty could be Havells India since it currently imports 70% of its subsidiary Lloyds' requirement, although the company has the option to shift to domestic manufacturing, CLSA said.

While analysts expect companies to collectively pass the burden of custom duty hike by increasing prices, a price hike could come with a lag.

On the other hand, the increase in customs duties on segments such as footwear, luggage and plastic products may have been done to give support to local manufacturing. It is worth noting that most of these 19 items are not high-value items individually and do not form a large portion of the overall imports. However, these industries are labour-intensive and IIP data indicates that manufacturing activity here has remained weak for some time now.

Further, Antique Stockbroking Ltd sees Apollo Tyres and MRF Ltd benefiting marginally from increased duty on passenger car radial tyres. "Passenger car radial tyres is ~20% of the Apollo's India revenue. However, PCR imports in India would be just 15% and a significant chunk of that would be for premium high end luxury segment where there is no local manufacturing facility," it said in a report.

In short, the impact of the import duty hikes may not be worth the negative effect it will have on India's image as a relatively open economy.

[Back to top]

Why domestic cotton prices are likely to rule firm this season

Vatsala Kamant, Live Mint

September 26, 2018: Come October, in India, it's time for the arrival of the new domestic cotton. Spinning mills look to forecasts on cotton output and prices to plan their production. This time round, in cotton season 2019, there is some anxiety among spinning mills, in spite of demand for yarn being strong.

All indicators point to cotton prices ruling firm in the coming season. First, domestic demand for cotton yarn is rising as consumption from user industries is picking up. Besides, prices of man-made fibres, such as polyester staple fibre and polyester filament yarn being linked to crude oil, are spiralling due to rising crude oil prices and rupee depreciation. The increase in price of man-made fibres has outpaced that of cotton in recent times. Hence, there could be a bias towards a higher mix of cotton in blended yarn and fabric, which in turn will keep demand for cotton strong.

Second, the government's move to increase minimum support price(MSP) for 2019 will prevent cotton prices from falling, in any eventuality.

Third, sweeping changes in US-China trade tariffs may alter the demand-supply scenario for cotton in global markets. If imports of US cotton into China reduce due to the ongoing trade war, it may accelerate imports from India into China. A report by CARE Ratings Ltd says China will import around two million bales of cotton from India in the first quarter of the new cotton season. Domestic supply may be tight. Hence, cotton prices may rise by about 5-7% and average at about ₹130/kg for season 2019.

True, these developments augur well for farmers. But, if spinning mills are able to pass on the higher cotton prices to users, it may alleviate the burden of rising input costs. According to CARE Ratings, "FY2018 was a subdued year, with cotton yarn production growing marginally by about 0.1% y-o-y after declining by about 2% during the same period in the year before." However, the Southern India Mills' Association was more optimistic about the current year, as mills had a better story on exports in the last few months.

If yarn demand continues to improve in domestic and export markets, they may weave a profitable year, in spite of higher prices. To some extent, the depreciation of the rupee gives a leg-up to exporting mills.

So far, large listed spinning mills such as Vardhman Textiles Ltd, KPR Mill Ltd and Ambika Cotton Mills Ltd have seen their margins improve in the last few quarters.

However, what may take a toll on profits, especially for smaller mills, is a higher working capital requirement when they procure cotton at higher prices at the start of the season. A true picture of mill prospects will be known only by early January as estimates for the 2019 season are in place. In any case, the higher MSP for cotton leaves little choice for mills. If cotton prices continue to be firm, then mills have to bank on higher yarn prices and sales to sustain profitability.

[Back to top]

Doable and daunting

V S Seshadri, The Indian Express

September 6, 2018: According to statistics released by the WTO in July, the share of India in total world merchandise exports was 1.68 per cent in 2017, a level it has more or less maintained since 2011. The preceding decade was better when India more than doubled its share from only 0.7 per cent in 2001 to 1.67 per cent in 2011. This was also a time when international trade grew rapidly all around. This was reflected, for example, in our imports more than trebling its share in world merchandise — imports from 0.77 per cent in 2001 to 2.51 per cent in 2011. The foreign content in our exports also doubled from a little over 10 per cent to 24 per cent during this period, aided by items like refined petroleum products joining our export basket. That all this led to a widened trade deficit for India is also noteworthy. India's import share contracted somewhat in recent years, in part due to commodity prices, reaching a low of 2.21 per cent in 2016 but the upward climb has already begun with the share recording 2.48 per cent in 2017.

Notwithstanding the importance of pushing exports to boost economic growth, its exhortation has rarely received high-level political attention in India beyond the commerce ministry. It was, therefore, welcome to see Prime Minister Narendra Modi set a clear target of doubling India's share of world exports to 3.4 per cent in June. More importantly, he recognised that this was important if India was to move towards double-digit growth. He emphasised the need for moderating the dependence on imports by at least 10 per cent by reducing imports in sectors such as energy, electronic goods, defence equipment and medical devices.

While no target dates have been set by the PM, there can be little doubt that even if the target has to be reached by 2025, it will need a coordinated effort from the entire government, not just the commerce ministry. That this will not be automatically forthcoming was evident when we saw the commerce minister publicly lamenting recently the paradox that while export was a strategic priority for India, it was not a priority sector for lending.

The doubling challenge is also daunting in the context of the Economic Survey 2017-18 pointing out that while the share of manufacturing in GDP has improved slightly, "the international competitiveness of manufacturing has not made great strides, reflected in the declining manufacturing export-GDP ratio and manufacturing trade balance". Existing exports are barely able to hold on to their market shares and new products or markets have not burst forth.

Most importantly, segments of exports continue to go substantially in primary form and not in a value-added mode. Cotton and cotton yarn than high-end garments and made-ups, leather than its products, ferro alloys and primary steel than alloy steel, dimensional stones than polished granite, primary polymers than plastic products and cut and polished diamonds than studded jewellery are just a few glaring examples.

To be exportable in sizeable volumes, value-added products demand capacity, quality, consistency and competitiveness. All this is a tall order but it can certainly be achieved if there is political will and thrust to ensure not only the success of Make in India in 2025 but that it gets embedded with doubling export share.

This will need a greater focus for it in our draft industrial policy under consideration and for speeding up the establishment of product-specific industrial clusters and enacting labour reform, at least in export zones. It will also require a sound export infrastructure by energising the Bharatmala Pariyojana to improve the efficiency of movement of goods and to cut logistics costs. The Sagarmala programme with its emphasis on port modernisation, capacity augmentation and port-led industrialisation will need an export orientation. Trade facilitation and export finance will also have to acquire high priority. Establishment of sector-level standards, compliance and certification mechanisms will be essential.

And all this will need a time-bound missionary zeal from the government, the states and industry. But judging from the performance so far, it is tempting to say the goal may be unrealistic. Particularly at a time when we face the prospect in the WTO of having to give up some of our export subsidies.

India's imports are fast increasing as can be expected from the demands of a large population with rising expectations. Exports are direly needed to pay for them. Much of the imports — fuel, capital goods and machinery, bulk drugs, edible oil, defence equipment or even high-end steel — volumes will only continue to rise. We are also perhaps unique in our sizeable imports of gold, which alone has accounted for 7 to 10 per cent of our imports.

What may appear to give some hope is perhaps the progress we are making in a few areas with respect to import reduction. Neem coating of fertilisers coupled with their increased production has led to a decline in imports and may even lead to zero imports by 2022. Smartphone manufacture is another item that is seeing a higher level of domestic processing and assembly. Imports of raw silk from China have come down with a rise in production of bivoltine silk in India. There is also a determined effort to produce more defence items.

Raising some select import duties to spur domestic production could work temporarily. But if this leads to complacency and results in pressures for higher tariffs to be permanent, it will be retrograde and have economy-wide implications.

In any case, all of this will do little to neutralise the rising import needs. The trade deficit continues to show a widening trend. Working to sharply increase merchandise exports, particularly when the earlier double-digit buoyancy in services exports has diminished, seems the only viable option. Will we see it happen?

[Back to top]

India's reforms in 1990s evidence that openness in services contributes to growth: Report

Hindustan Times

Washington, September 30, 2018: India's economic reforms and growth story offer compelling evidence that openness in services contributes to long run growth performance, the IMF, World Bank and WTO said in a joint report Sunday.

India's reforms in the 1990s brought more openness, better regulation and greater investment, allowing Indian manufacturing firms to source services from a range of domestic and foreign providers operating in a more competitive environment, the report said.

The report -- 'Reinvigorating Trade and Inclusive Growth' -- was released by the International Monetary Fund (IMF), World Bank and World Trade Organization.

Manufacturers' access to better, more reliable, and more diverse business services enhanced firms' ability to invest in new opportunities and technologies, to concentrate production in fewer locations, to efficiently manage inventories, and to coordinate decisions with suppliers and customers, it said.

Referring to a 2016 study, the report said procompetitive reforms in banking, insurance, telecommunications and transport boosted the productivity of both foreign and locally-owned manufacturing firms.

Other empirical studies reinforce these findings, but also stress the importance of well-designed reforms accompanied by sound domestic regulation, said the report, asserting that India provides “compelling evidence that openness in services contributes to long run growth performance”.

[Back to top]