INDIA'S TRADE NEWS AND VIEWS

15 August to 31 August 2019

[Explained: Is the World Trade Organization becoming a new battlefront?]
The story so far: U.S. President Donald Trump earlier this month attacked the World Trade Organization…

[WTO sets up adjudicatory panel over India's sugar subsidies]
The fate of India's subsidy programmes for sugarcane and sugar producers, including administered mandatory minimum prices…

[Trade war hurting everyone, G7 tells Trump]
Group of Seven leaders have gathered in Biarritz, France, with signs of discord surfacing on issues…

[Donald Trump's trade tirade targets India]
US President Donald Trump on Wednesday took aim at India and China, saying the two were no longer…

[Trump ups ante on WTO special treatment for China and India]
Even as he toned down his trade war rhetoric against China, President Donald Trump on Tuesday upped the ante…

[Tariffs on US goods may top agenda at Donald Trump-Narendra Modi meet]
US President Donald Trump is expected to press upon Prime Minister Narendra Modi during…

[Arun Jaitley: India's hero at WTO]
Most of the tributes to former finance minister Arun Jaitley, who passed away last Saturday, have missed his influence in decisively…

[CACP's proposed price-deficiency scheme is a bad idea]
If subsidies given to farmers by the states are subsumed, this cost could fall. But, even if the subsidies continue…

[WTO to set up dispute settlement panel to review India's sugar subsidy]
The WTO's dispute settlement body has agreed to set up panel requested by Brazil, Australia and Guatemala…

[Producers welcome decision]
The approval by the Cabinet Committee on Economic Affairs on Wednesday for for sugar export subsidy would…

[Japan-Korea trade war: History comes back to haunt bilateral ties]
Trade wars appear to be becoming the norm rather than exceptions, and the new conflict between…

Solar case against US: India appeals against certain parts of rulings by WTO dispute panel
India is challenging certain parts of rulings given by the WTO's dispute settlement panel on a solar case against…

Government plans to make BIS hallmarking mandatory for gold jewellery
The government has revived its plans to make Bureau of Indian Standards hallmarking mandatory for gold jewellery…

Commerce ministry to soon come out with new foreign trade policy
The commerce ministry will soon come out with a new foreign trade policy, which provides guideline and incentives…

Boosting growth in a protectionist world
The advent of the twenty-first century marked the turning point in India's economic growth…

Centre for WTO Studies, 7th Floor, IIFT Bhawan, B-21, Qutab Institutional Area, New Delhi – 110016

Tel: 91-11-26965124, 26965300, 26966360 Ext-725,710 Fax: 91-11-26853956 Email: cws@iift.ac.in

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.

Explained: Is the World Trade Organization becoming a new battlefront?

Prashanth Perumal J., The Hindu

August 25, 2019: The story so far: U.S. President Donald Trump earlier this month attacked the World Trade Organization (WTO) for allowing countries such as India and China to engage in unfair trade practices that affect American economic interests. While addressing a gathering in Pennsylvania, Mr. Trump took issue with the "developing country" status enjoyed by India and China at the WTO. He argued that these countries are not developing economies, as they claim to be, but instead grown economies that do not deserve any preferential trade treatment from the WTO over developed countries such as the U.S.

What is the “developing country” status?

The “developing country” status allows a member of the WTO to seek temporary exception from the commitments under various multilateral trade agreements ratified by the organisation. It was introduced during the initial days of the WTO as a mechanism to offer some respite to poor countries while they try to adjust to a new global trade order marked by lower barriers to trade. Countries such as India and China, while seeking exception from various WTO agreements, have argued that their economic backwardness should be considered when it comes to the timeline of implementation of these agreements. The issue of farm subsidies, for instance, is one over which rich and poor countries have had major disagreements. The WTO, however, does not formally classify any of its members as a developing country. Individual countries are allowed to unilaterally classify themselves as developing economies. So, as many as two-thirds of the 164 members of the WTO have classified themselves as developing countries.

How do countries such as India and China benefit from the special status?

The WTO was envisaged as an international trade body to help foster more trading in goods and services between nations by lowering various barriers to trade such as tariffs, subsidies and quotas. Towards this end, several trade agreements have been ratified over the years under the WTO.

Developing countries such as India and China, however, as earlier mentioned, can seek to delay the implementation of these WTO agreements owing to their disadvantaged economic status. They can continue to impose tariffs and quotas on goods and services in order to limit imports and promote domestic producers who may otherwise be affected adversely by imports that are lower in price or better in quality. India, for instance, subsidises agriculture heavily in the name of food security in order to protect its farmers. While local producers may be protected by protectionist barriers such as tariffs, consumers in India and China will have limited access to foreign goods.

Is the U.S. justified in criticising the WTO?

While the “developing country” status was supposed to help poor countries ease gradually into a more globalised world economy, it has had other unintended effects. Since the WTO allows countries to unilaterally classify themselves as “developing”, many countries have been happy to make use of this freedom. Even many developed economies such as Singapore and Hong Kong which have per capita income levels higher than the U.S., have made use of the provision to classify themselves as growing economies. Further, countries such as China justify that while their per capita income level has increased many-fold over the last few decades, these are still far below that of high income levels in countries such as the U.S. Thus, Mr. Trump may have a prima facie case in urging the WTO to address the issue of how countries arbitrarily classify themselves as “developing” to justify raising trade barriers. This is, however, not to say that WTO rules always work to the advantage of developing countries alone.

Developed countries such as the U.S. have tried to force poorer countries to impose stringent labour safety and other regulations that are already widely prevalent in the West. These regulations can increase the cost of production in developing countries and make them globally uncompetitive. Developing countries further view the introduction of labour issues into trade agreements as beyond the scope of the WTO, which is primarily supposed to be an organisation dealing with trade. Many economists also oppose the fundamental argument of poorer countries that low per capita income levels justify their decision to raise trade barriers. They argue that free trade benefits all countries irrespective of their income levels. In fact, they argue that protectionist trade barriers impede the transition of developing economies to higher income levels. The developing country status may thus simply be a false pretext to justify protectionism.

What lies ahead?

Mr. Trump's criticism of the WTO is seen by many as the opening of a new front in his trade war against China. Earlier, the U.S. President had termed China as a "currency manipulator" for allowing the yuan to depreciate against the dollar. China and the U.S. have also been slapping steep tariffs on imports from each other since early last year. China's developing country status at the WTO gives Mr. Trump yet another opportunity to attack China. Since developing countries are likely to oppose any efforts to stop them from protecting their domestic economic interests, global trade rules are unlikely to experience any drastic reform any time soon. Further, ahead of the next ministerial-level talks of the WTO scheduled to be held in Kazakhstan next year, the inability of the WTO to rein in global trade tensions has raised questions about its relevance in today's world. This is particularly so given that global tariff rates over the years have dropped more due to bilateral trade agreements rather than due to multilateral trade agreements brokered at the WTO.

Further, the dispute resolution mechanism of the WTO, which can pass judgments on disputes, lacks the powers to enforce them as the enforcement of decisions is left to individual member states. While initially envisaged as a global body to promote free trade, the WTO has now deteriorated into a forum where competing governments fiercely try to protect their narrow interests.

WTO sets up adjudicatory panel over India's sugar subsidies

D. Ravi Kanth, Live Mint

Geneva, August 15, 2019: The fate of India's subsidy programmes for sugarcane and sugar producers, including administered mandatory minimum prices, is going to be decided by dispute settlement panels at the World Trade Organization. Australia, Brazil, and Guatemala today secured the green signal for establishing the panel to adjudicate over their complaints that New Delhi's support programmes for the sugar sector allegedly violated global trade rules.

India, however, rejected requests from the three countries for a single panel to oversee their complaints jointly on grounds that their claims are similar. India said each case was distinct and therefore, ruled out a single panel to decide the case.

The three farm-exporting countries challenged the current system of administered mandatory minimum prices for sugarcane and sugar at the federal and state levels. Australia, Brazil and Guatemala maintained that India provides trade-distorting production subsidies, including soft loans and subsidies, to maintain stocks of sugar, and tax rebates.

Last month, India had blocked the first-time request from Australia, Brazil and Guatemala, which are members of the Cairns group of farm-exporting countries, for establishing the panel. But the three complainants made a second request for establishing the dispute settlement panel that was duly approved on 15 August. Under the WTO rules, a second request is automatically approved.

The three complainants charged New Delhi with providing export subsidies for sugarcane and sugar that are contingent on export through “minimum indicative export quotas" (MIEQ) or other sugar export incentives.

Australia, which is the main spokesperson for the Cairns group of farm-exporting countries, held India responsible for contributing to oversupply in the international sugar market. The production of sugar in India, according to Australia, has increased from 22 million tonnes in 2016-17 to 34 million tonnes in 2017-18, thereby, contributing to a surplus of 12 million tonnes last year. Global sugar prices slumped in September 2018 after India announced an additional Austrlian $1 billion of additional sugar subsidies, Australia charged.

Brazil charged India with intensifying various support programmes for the sugar sector, including higher minimum prices for sugarcane. Over the past two years, India has increased from 2 million tonnes to 5 million tonnes sugar allocated for mandatory export, Brazil maintained.

India, however, disagreed with the claims made by the three countries, saying that its sugar-support programmes are aimed at assisting over 35 million vulnerable low-income resource-poor farmers to have a just and equitable share in economic development. It maintained that its measures were consistent with global trade rules, and did not create any adverse effect in the global sugar market.

India also expressed disappointment that the issues raised by New Delhi about the difficulties faced by resource-poor farmers in the Doha agriculture negotiations had not been addressed until now, said a person familiar with the dispute.

In all likelihood, there would be one panel that would separately hold the proceedings to address the claims raised by each member.

Trade war hurting everyone, G7 tells Trump

Live Mint

Biarritz, August 25, 2019: Group of Seven leaders have gathered in Biarritz, France, with signs of discord surfacing on issues from trade to climate. The host, French President Emmanuel Macron, is looking for common ground. A final communique is unlikely, replaced with a series of documents.

The G7 leaders all made clear to US President Donald Trump over dinner that the trade war is hurting everyone, according to a German official. Chancellor Angela Merkel emphasized how important the World Trade Organization (WTO) is and insisted the US must allow it to fill key positions this year.

WTO's appellate body, its key group for dispute resolution, risks being paralyzed unless the US lifts its veto on the appointment of new members.

Meanwhile, Trump, who announced higher tariffs on Chinese goods last week, raised eyebrows during a meeting with British Prime Minister Boris Johnson at the G7 when he responded in the affirmative to questions from reporters on whether he had second thoughts about the tariff move.

When Trump said he had second thoughts about escalating the trade war with China, he meant that he wished he had raised tariffs on Beijing even higher, the White House said.

The US President on Friday set an additional 5% duty on some $550 billion in targeted Chinese goods, hours after China unveiled retaliatory tariffs on $75 billion worth of US goods.

Donald Trump's trade tirade targets India

Elizabeth Roche, Live Mint

New Delhi, August 15, 2019: US President Donald Trump on Wednesday took aim at India and China, saying the two were no longer "developing nations" and were "taking advantage" of the tag given by the World Trade Organization (WTO).

Championing his "America First" policy, Trump told a gathering in Pennsylvania that WTO viewed certain countries like China and India as "growing," according to a report by news agency *PTI*.

Trump said India and China had “grown", warning that the US will not let such countries take advantage of WTO.

“We’re not letting that happen any more... Everybody is growing but us," he said.

Trump’s latest comments come as trade minister Piyush Goyal is set to visit Washington next month that could see the two sides work out a deal to narrow the US trade deficit with India. Bilateral trade in 2018 stood at an estimated $142.1 billion.

While Trump has previously targeted India— describing it as “tariff king" for imposing high duties on US goods—this is the first time he has named India and China together in the WTO context.

“They (India and China) were taking advantage of us for years and years," Trump said in his speech, referring to global trade rules under which developing countries claim entitlement to longer time frame for the imposition of safeguards, transition periods and softer tariff cuts, besides procedural advantages for WTO disputes and the ability to avail themselves of certain export subsidies.

Trump expressed hope that WTO will treat the US “fairly".

Opening a fresh front against India and China, President of the United States of America accused the two nations of taking advantage of the tag of 'developing' countries.

The US and China are engaged in a brutal trade war for almost a year, with the US being the first to impose tariffs on Chinese goods to press demands for an end to policies that Washington says hurt US companies competing with Chinese firms. China responded with its own tit-for-tat tariffs on US goods.

In India’s case, the US has imposed tariffs on steel imports from India and ended preferential access for Indian products. In retaliation, India imposed retaliatory tariffs on 28 products exported from the US in June.

Officials in New Delhi noted that Trump’s speech had come just ahead of the US election season, when he will formally launch his re-election bid for the November 2020 polls.

According to former foreign secretary Kanwal Sibal, Trump’s comments were “in line with his declared thinking that WTO gives developing country status to countries that don’t merit it".

“This is the first time that Trump has mentioned India in this context," he said, adding that the comments also represent Trump-led attacks on WTO itself and the call for it to be reformed along US preferences. “It is an attack on the structure of the Indian economy," said Sibal. “The primary aim is to get rid of differential status and responsibilities between developed and developing countries not only in the WTO, but also in other international negotiations," added Sibal.

Trump ups ante on WTO special treatment for China and India

D. Ravi Kanth, Live Mint

August 15, 2019: Even as he toned down his trade war rhetoric against China, President Donald Trump on Tuesday upped the ante on his multilateral trade war against developing countries, particularly China and India, for availing special and differential treatment at the World Trade Organization, say analysts.

On Tuesday (13 August), the Trump administration has announced that it will delay, until 15 December, the proposed levy of the 10% additional tariff on imports of several costly Chinese products worth around $160 billion.

The WTO, said President Trump, had been discriminating against the United States for years, but that is now changing because members realize that “if it’s not going to be fair, it’s not going to be at all, we don’t need it."

In a speech delivered in Pennsylvania on 13 August, he claimed that the United States had lost almost every WTO dispute it was involved in until he became President.

According to a report in Washington Trade Daily on 14 August,, President Trump claimed: “Now we’re winning a lot of cases because they know that they’re not on very solid ground. We will leave, if we have to. And all of a sudden, we’re winning a lot of cases. We’re winning most of our cases. And it’s only because of attitude, because we know that they have been screwing us for years. And it’s not going to happen any longer. They get it. They get it. So they’re giving us victories."

Trump severely attacked the self-designation norm to declare as developing countries for availing S&DT at the WTO. "Regardless of their size, allowing them to avail themselves of special treatment" is not fair, he said.

Trump said that countries like China and India have been allowed to take “tremendous advantages [because of the S&DT]," the WTD reported.

“But we’re not letting that happen anymore, okay? We’re not letting that happen anymore," he declared.

Like the trade war with China, which is increasingly becoming a “quagmire", almost akin to the Vietnam war, the Trump administration’s decision to bring about differentiation/graduation for availing S&DT by developing countries could prove to be a multilateral quagmire - if the developing countries continue to fiercely oppose the move.

Trump's latest trade swipe: India, China accused of taking advantage at WTO

Opening a fresh front against India and China, President of the United States of America accused the two nations of taking advantage of the tag of 'developing' countries.

These two developments marked a pattern of deploying coercive and muscular trade strategies under the banner of the “America First" trade policy, said trade envoys, who asked not to be quoted.

As regards the postponing of 10% tariffs on Chinese goods until 15 December, the Trump administration excluded sensitive consumer goods from China such as cell phones, laptop computers, video game consoles, certain toys, and certain footwear and clothing products among others.

However, the US administration will impose tariffs of 10% on the rest of the Chinese products estimated at around $140 billion from 1 September.

In a move to placate the concerns expressed by powerful American import and manufacturing lobbies, President Trump has dramatically changed his stance in a matter of two weeks.

On 1 August, he threatened China that the US will impose 10% additional tariffs on Chinese goods worth $300 billion, claiming Beijing has not apparently fulfilled the promise it had made at the G20 leaders meeting in Osaka last month to purchase unlimited quantities of American farm products.

In quick response to President Trump’s threat of 10% tariffs on $300 billion of Chinese products, Beijing cancelled all the planned orders for purchasing American farm products.

According to several US media reports, the US farm lobbies are angry over the uncertainty caused by the Trump administration, particularly in Iowa and mid-western American states that are critical for Trump’s chances in Presidential elections next year.

According to media reports, the stock markets also disapproved of President Trump’s threat of 10% additional tariff on Chinese goods with sharp falls in major markets over the past two weeks.

Against this backdrop, President Trump told reporters in New Jersey on 13 August that he chose to delay some tariffs on consumer goods “for the Christmas season, just in case some of the tariffs would have an impact on US customers, which, so far, they’ve had virtually none," according to WTD.

Not disowning his repeated claims that China is paying the tariffs, he went on to say that "just in case they might have an impact on people, what we've done is we've delayed it so that they won't be relevant for the Christmas shopping season."

However, the US will stick to its unilateral duty increase of 10% on the remaining Chinese products worth around $140 billion from 1 September, the Office of the US Trade Representative announced on Tuesday.

In a statement issued on 13 August, the USTR said it had published on 17 May "a list of products imported from China that would be potentially subject to an additional 10% tariff."

"This new tariff will go into effect on September 1 as announced by President Trump on August 1," the USTR said.

Coming under intense pressure from the American business lobbies, especially the import and manufacturing lobbies, the USTR was compelled to remove "certain products" from "the tariff list based on health, safety, national security and other factors."

It maintained that "products in this group include, for example, cell phones, laptop computers, video game consoles, certain toys, computer monitors, and certain items of footwear and clothing," suggesting that tariffs on these products will be delayed until 15 December.

Just cell phones and laptops represent about $80 billion of trade with China, which effectively would mean more than a quarter of the tariffs that were posed to take effect, with a 10% levy, in just a few weeks.

The turnaround in the Trump administration's action came after the US trade officials held consultations with the Chinese officials on telephone on 13 August.

Last month, the talks between the two sides produced modest results as several sensitive issues, including the quantum of purchases of farm products by China from the American producers and removal of American restrictions on sale of hi-tech products to China, particularly the Huawei telecommunications company, could not be resolved.

China has consistently maintained that it stuck to its side of the bargain, as part of the understanding reached between President Trump and Chinese president Xi Jinping in Osaka on the margins of the G20 leaders' meeting last month.

Chances of striking a credible deal next month still hang in the balance but the stock market soared on the news of yet another potential thaw in the tensions between the world's two largest economies.

The Dow Jones Industrial Average was up more than 400 points, or nearly 1.7%, in morning trade on Tuesday.

According to the Wall Street Journal of 13 August, “Apple Inc. surged more than 4.5% on news that smartphones, including its iPhone would be spared until at least December from the proposed tariffs."

The USTR indicated that there will be a process for importers to request exclusion from the additional tariffs, as was done for the previous tranches of tariffs.

So far, the US has imposed 25% tariffs on $250 billion worth of Chinese products. Following the conversations between the US and Chinese trade officials, President Trump claimed on 13 August that there will be a trade deal with China because of “very, very productive" talks between US and Chinese officials.

The US and Chinese trade officials will hold another round of talks over telephone in a fortnight.

“We had a very good talk yesterday with China - a very, very productive call," the President told reporters yesterday. “I think they want to do something. I think they’d like to do something dramatic."

The WSJ said that “in recent weeks, negotiators have been working on a more limited deal that would have China agreeing to buy more US farm products and the US agreeing to ease off restrictions on China’s Huawei Telecommunication Co."

Senate Finance Committee ranking Democrat Ron Wyden (Ore) criticized the announcement, saying that US consumers still will be hit by tariffs on books, school supplies and clothing that will take effect on 1 September.

In an analysis prepared by Tariffs Hurt the Heartland, a coalition of organizations opposed to the tariffs, the additional 10% tariffs that will begin on 1 September will apply to $112 billion worth of Chinese products.

Clothes account for $25.6 billion of that amount and footwear $7.3 billion. The additional tariffs taking effect on 15 December will apply to $160 billion in imports, including $2.3 billion on clothes and $6.7 billion on footwear

“These measures are set to greatly reduce the weight of US tariffs, as electronics goods [from China] alone account for about $130 billion," the Chinese daily said.

“The US has realized that its maximum pressure strategy to force China back to the negotiating table has not worked as expected. Washington knows that only through talks can the two sides reach a deal," the paper said, quoting a Chinese banker.

Tariffs on US goods may top agenda at Donald Trump-Narendra Modi meet

D. Ravi Kanth, Live Mint

Geneva, August 23, 2019: US President Donald Trump is expected to press upon Prime Minister Narendra Modi during their scheduled Sunday meeting in France the need to reduce customs duties on American products, and consider positively the US’s proposal on reforms at the World Trade Organization (WTO) that are aimed at graduating countries such as India from availing special and differential flexibilities, analysts say.

Leaders of the G7 countries—the US, Germany, Japan, France, Britain, Canada and Italy—will hold a special meeting on Sunday at Biarritz on global economy and the US’s trade initiatives. The US has sought the special meeting to “highlight the need for WTO reform and press a controversial proposal to curb the ability of advanced developing countries like China and India to claim special treatment (at the WTO)," according to a briefing by senior US administration officials, the Washington Trade Daily reported on 23 August.

President Trump will issue a strong message at the meeting on Sunday “that the WTO must become an institution that can deal with the modern global economy—including the presence of non-market economies (such as China)". Trump is going to “tout his own trade and economic policies and point to strong US growth as compared to much of the rest of the world".

The US is also expected to raise its concerns “with host country France’s recent imposition of a digital service tax, arguing that it undermines the multilateral negotiations taking place at the Organization for Economic Cooperation and Development (OECD)".

President Trump will hold bilateral meetings with leaders from India, Germany, Britain, Canada, Japan and France, among others, on the sidelines of the G7 meetings. Although India is not a member of the G7 club of seven industrialized countries, it is going to Biarritz for the bilateral meeting with President Trump.

“With Mr Modi, the discussions will focus on how the two countries cooperate more closely on trade (including the ongoing discussions on a bilateral free trade agreement between the US and India). The US is looking for India to reduce its tariffs on US products, a senior administration official said," according to the WTD.

Several G7 members, such as Japan and the European Union, have strongly endorsed the US's proposal for introducing graduation/differentiation to deny special and differential flexibilities for China, India, Indonesia, and South Africa, among others, at the World Trade Organization.

But a large majority of developing countries, including India, firmly rejected the US's proposal and called for "strengthening the World Trade Organization to promote development and inclusivity".

Based on the Indian concept paper, the developing countries categorically said that "the immediate priorities for reform at the World Trade Organization must include: Resolving the crisis in the appellate body (the highest adjudicating body for global trade disputes) and addressing the unilateral actions taken by some members (such as the US)."

Even though the US wants reforms at the World Trade Organization aimed at denying special and differential flexibilities for India and other developing countries in the current and future multilateral trade agreements, Washington is at the centre of paralysing an important arm of the World Trade Organization, namely, the appellate body on controversial grounds that the highest adjudicating body for global trade disputes had deviated from the dispute settlement understanding, a charge which was rejected by a large majority of World Trade Organization members, including the European Union.

Arun Jaitley: India's hero at WTO

Abhijit Das, Financial Express

August 27, 2019: Most of the tributes to former finance minister Arun Jaitley, who passed away last Saturday, have missed his influence in decisively changing the course of the Doha Round of multilateral trade negotiations at the WTO during August-September 2003. His contribution, and personal qualities, in shaping WTO negotiations needs to be recalled.

Jaitley assumed charge as India's commerce minister in January 2003, at a time when the Doha Round was at a crucial juncture. In accordance with the Doha Ministerial mandate of 2001, key decisions had to be taken at the Cancun Ministerial Meeting of the WTO, which was barely a few months away in September 2003. Two topics required his constant attention—agriculture and the so-called new issues.

In agriculture, Jaitley had the onerous task of not conceding ground to developed countries, as well as some export power-houses among developing countries—Brazil and Argentina—who were seeking to prise open India's market for their agriculture exports. As the negotiations in agriculture progressed in 2002- 2003, the interests of developing countries appeared to be getting ignored. But this changed decisively in August 2003, when the ambassadors of Brazil and India to WTO decided to join hands. Their aim was to thwart the attempts of the EU-US partnership to accommodate their mutual interest, while marginalising the concerns of India and other developing countries.

The fledgling coalition forged by the diplomats of Brazil and India in Geneva required a formal approval at the political level in New Delhi. Fearing that the price of aligning with Brazil would be to grant market access for its agricultural products into India, some quarters in the Indian government were strongly opposed to the coalition. Jaitley showed immense foresight and astuteness in sensing the value of this coalition. He moved with determination and succeeded in changing the mind of one his influential ministerial colleagues, who was the main person opposing the coalition.

Further, recognising the utility of having China on his side, he openly welcomed that country as a member of this coalition. Eventually, on 20 August 2003, the G20 coalition in agriculture was established. And the rest, as is often recognised at WTO, is history. Henceforth, it would be the developing countries, and not EU-US combine, that would be the most influential voice in agriculture negotiation. Jaitley was one of the principal architects of this tectonic shift at WTO.

Let us now turn to another subject in the Doha mandate, in which Jaitley made seminal contribution—the four new issues: investment, competition, government procurement and trade facilitation. At the insistence of the EU and the US, and supported by other developed countries, these issues had gate-crashed onto the WTO negotiating agenda. At the Doha Ministerial Conference in 2001, India, along with a few other developing countries, had strongly resisted commencing negotiations on these issues. They saw little merit in overloading the negotiating agenda with new issues that did not hold promise of creating reciprocal benefits for developing countries. In 2003, the mantle fell on Jaitley to prevent negotiations on these issues from moving ahead at the Cancun Meeting. How he achieved this provides many lessons in negotiating strategy and also demonstrates some of his finest personal qualities. In this context, it is worth recalling some episodes at the Cancun Meeting.

First, in one of the small group meetings, Robert Zoellick, the Trade Representative of United States, sought to give a particular twist to the Doha mandate, which would have been adverse to the interest of developing countries. Jaitley's quick thinking saved the day. Using his immense legal skills, he completely turned the tables on Zoellick, who was no mean lawyer himself.

Second, in another incident at Cancun, a marathon meeting, lasting almost 7-8 hours, had just ended at 4 am. Jaitley came out of the meeting room, looking completely exhausted. He was promptly informed that his next meeting would be held within 3 hours. As the meeting was on an issue of immense importance to India, he ignored his tiredness and took a detailed briefing on it for almost 2 hours.

His personal comfort took a back seat, when it came to protecting national interest at WTO. Through his actions that day, Jaitley taught all of us young officers the meaning of commitment to the task at hand.

The third incident concerns the coalition of about 100 countries against the new issues created at Cancun. At a crucial juncture, rumours were rife that a key country was planning to abandon the coalition. Jaitley played his masterstroke. He convened a press conference where the minister of this key country was made the centre of attraction. This minister clearly enjoyed the glare of international media and any thought of leaving the coalition was quickly abandoned.

In the face of opposition from more than 100 countries, the Cancun Ministerial Meeting collapsed without taking any substantive decisions. From the discussions, it was clear that at least two out of the four new issues would not remain on the negotiating agenda. And so it proved to be in August 2004. This came about in no small measure due to Jaitley's multi-faceted skills at Cancun.
Immediately after the Cancun meeting collapsed, domestic and international media surrounded Jaitley. His statesmanship emerged in this impromptu media interaction. He resisted the temptation of playing to the gallery and, unlike some of his counterparts from key developing countries, did not take any credit for collapse of the meeting. His measured statement ensured that India would not be singled out as the main country responsible for the collapse of the WTO meeting.

For those of us who had the privilege of interacting with Arun Jaitley at Cancun, his razor-sharp thinking, commitment to duty, strategic approach to negotiations and courage in taking on the developed countries, evident in ample measure at this crucial meeting, shall remain an abiding memory.

CACP's proposed price-deficiency scheme is a bad idea

The Financial Express

August 26, 2019: If subsidies given to farmers by the states are subsumed, this cost could fall. But, even if the subsidies continue, this amount isn't very different from what the government would likely incur as the cost of a price-support scheme.

The Commission for Agricultural Costs and Prices (CACP), in recommending a price deficiency payment scheme (PDPS) for commercial crops like oilseeds, cotton, maize, etc, that have "no assured/established mechanism for liquidation of stocks"—public procurement at MSP, that is—seems to have learned little from Madhya Pradesh's Bhavantar Bhugtan Yojana fiasco. The state had to bin the Bhavantar scheme because it was quite prone to gaming. Indeed, given how few mandis are competitive, traders, once they got to know that they stand to benefit from lower mandi prices, cartelised to push it down to increase the differential with the MSP, in kharif 2017. Farmers, it is alleged, were willing participants for a cut. Madhya Pradesh, where the prices are already generally lower than other states, simply couldn't afford to pay the MSP-differential that cartelised mandis managed to create. To be sure, the CACP proposes that the modal/floor price after which the scheme kicks in, be fixed on the basis of price trends over the last four-five years with strict adherence to fair average quality.

In addition, it recommends that farmers be encouraged to hold on to their produce in accredited warehouses and be provided loans against warehouse receipts to avoid the typically-low prices at harvest-time. Such farmers will also get PDPS benefits if the market price at the time they choose to sell is below the MSP. These measures may seem like a safeguard against the Bhavantar loopholes, but are hardly so.

Indeed, mandi cartelisation to game the scheme may be easier at harvest-time, but can't be ruled out entirely at the time farmers want to offload stocks. As for the average price-check, mandi cartelisation, again, will be a hurdle, since if traders are unwilling to pick up the stock at a price approaching the floor price, farmers are stuck. Not only will they have to sell the produce at a low price, but will not be able to benefit from PDPS because the selling price doesn't meet the floor price criterion! Indeed, if the government intends to ensure that such cartelisation doesn't derail its PDPS, it will have to keep a check on every single mandi in the country.

A much better way to support farmers will be to offer direct cash support for costs, instead of one based on prices. Telangana's Rhythu Bandhu and Odisha's Kaalia are both good examples of this. According to Icrier professor Ashok Gulati, a `10,000/hectare cash subvention will cost `1.97 lakh crore across the country. If subsidies given to farmers by the states are subsumed, this cost could fall. But, even if the subsidies continue, this amount isn't very different from what the government would likely incur as the cost of a price-support scheme.

This will benefit farmers without distorting farm practices and the chances of traders manipulating the scheme, at the cost of both, the farmer and the consumer, are eliminated. Given how the per-acre cost support doesn't interfere with the market, it doesn't affect the competitiveness of India's agri-exports while remaining WTO-compliant. Indeed, if the government were to liberalise agri-exports while moving to a cost-support scheme for the farm sector, farmers will benefit far more than from a price-support scheme prone to rigging.

WTO to set up dispute settlement panel to review India's sugar subsidy

The Financial Express

August 16, 2019: The WTO's dispute settlement body has agreed to set up panel requested by Brazil, Australia and Guatemala to review India's support measures for the sugar sector. Brazil, Australia and Guatemala had sought establishment of a dispute panel under the aegis of the World Trade Organization (WTO) in a case against India's sugar subsidies to farmers. India has stated that the measures were consistent with its WTO obligations.

Earlier this year, these countries have dragged India into the WTO's dispute settlement mechanism alleging that New Delhi's sugar subsidies to farmers are inconsistent with global trade rules. Brazil is the largest producer and exporter of sugar in the world. "At a meeting of the Dispute Settlement Body (DSB) on 15 August, WTO members agreed to establish panels requested by Brazil, Australia and Guatemala to review India's support measures for the sugar sector," the WTO said in a statement.

It said these countries have expressed their concerns that India's support exceeds the levels of domestic support allowed to India under the WTO's Agriculture Agreement and that India was granting prohibited export subsidies. They have alleged that the measures have negative impact on global market prices for sugar and their sugar producers.

The three countries had asked that a single panel be established to review the claims as the three complaints deal with essentially the same subject matter and were filed at the same time. “Although responding separately to the three complaints, India delivered the same reply: the Indian measures in question were not having a trade-distorting effect on the global sugar market nor were they affecting the economic interests of the complainants,” it said.

India also reiterated that the measures were consistent with its WTO obligations. It has added that the support measures are intended to provide for, and avoid the over-exploitation of, 35 million vulnerable, resource-poor farmers in the country. According to rules, a WTO member or members can file a case in the Geneva-based multilateral body if they feel that a particular measures is against the norms of the WTO.

Bilateral consultation is the first step to resolve a dispute. If both the sides are not able to resolve the matter through consultation, either can approach for establishment of a dispute settlement panel. If the panel rules against India’s sugar subsidies, India can approach the appellate body of the WTO’s dispute settlement mechanism.

Producers welcome decision

M Soundariya Preetha

August 28, 2019: The approval by the Cabinet Committee on Economic Affairs on Wednesday for for sugar export subsidy would help reduce the surplus sugar inventory, according to the Indian Sugar Mills Association (ISMA).

Abinash Verma, director general, ISMA, said that the export of six million tonnes of sugar during the 2019-20 marketing season would not only reduce the surplus inventory of the commodity in the country next season but also result in an additional cash flow of ₹18,000 crore in the sector, including subsidy amount.

With an expected global deficit next season of nearly four million tonnes, “the timely announcement of India’s export programme with a WTO compliant export subsidy of ₹10,448 per tonne will enable Indian millers export the six million tonnes,” he said.

An industry source said sugar production this season (October 2018 to September 2019) in the country was almost 33 million tonnes and close to four million tonnes of sugar were exported.

The opening stock next season (2019-20) is expected to be 14.5 million tonnes and the production 28.5 million tonnes. In the current season, though exports were expected to be five million tonnes, it is close to four million tonnes, mainly as international prices were down. In the next season, a global deficit is expected.

Hence, exports are likely to be viable for the Indian sugar sector. “It is a huge stock [that we have] and we need to export. Now, people can plan for the next season,” the source said.

R. Varadarajan, whole-time director, Rajshree Sugars and Chemicals, said while the export subsidy would benefit mills in north India, sugar mills in Tamil Nadu need a “larger support package.” The mills in Tamil Nadu were already operating below capacity.

So, the units here might still not be able to export. The Tamil Nadu mills need incentives without linking them to exports, he said.

Japan-Korea trade war: History comes back to haunt bilateral ties

Amitendu Palit, The Financial Express

August 22, 2019: Trade wars appear to be becoming the norm rather than exceptions, and the new conflict between Japan and South Korea is set to worsen the effects of the US-China trade war.

Despite being neighbours and military allies of the US, Japan and South Korea—Asia’s economic powerhouses with strong export-oriented and globally-integrated economies—have had rocky bilateral ties. The strains are inherited from the uncomfortable history of the region during the early decades of the previous century, leading up to the Second World War. The Japanese control of the Korean peninsula, the subsequent ‘forced’ Korean contribution to the Japanese Imperial Army and its pursuits during the Second World War have left indelible impressions on both the countries.

It was several years after the Korean independence in 1945, and the separation of the Korean peninsula into North (the Democratic People’s Republic of Korea) and South (Republic of Korea), that Japan and South Korea connected diplomatically in 1965. Sour ties with the Soviet Union-controlled North Korea, and military alliance with the US, were political glues binding the countries. A more powerful bonding force was robust economic exchanges. Both Japan and South Korea, along with Taiwan and Hong Kong, were shining examples of the ‘Flying Geese’ economic paradigm of labour-intensive, export-oriented industrialisation. As Asian entrants into the elite group of advanced first-world economies, both have achieved high industrial sophistication and remarkable development of economic, financial and regulatory institutions, while having a large presence in the global lists of top business corporations.

Trade has intricately bound Japanese and South Korean economies. South Korea is one of Japan’s main export destination for goods as well as commercial services. The goods trade relationship is largely inclined towards South Korea being a major importer of Japanese products, while on commercial services the relation is more balanced, with both serving as major sources of export and import for each other. It’s on goods trade, though, that both the countries have got into a spat, and that is now assuming alarming proportions.

Following the South Korean Supreme Court's ruling last year directing Japanese companies to pay compensation for forced Korean labour during the Second World War, Japan has begun taking trade actions against the country. The first of these comprised imposition of stricter screening for Japanese export of some chemicals—essential in the production of smartphones and semiconductors—to South Korea. Following these controls, announced on July 4, 2019, earlier this month, the Japanese cabinet approved removal of South Korea from the 'White List' of countries maintained by Japan. The White List includes countries to which Japanese exporters can export items that can also be used in the manufacture of weapons, without rigorous scrutiny. Removing South Korea from the White List implies that Japanese exports of such items to the country will henceforth be subject to case-by-case detailed screening for eliminating possibilities of potential military end-use. Japan has justified the tighter export controls on national security grounds. By doing so, it joins the US and Russia, who, in recent years, have similarly justified unilateral trade actions.

The ruling by the World Trade Organisation (WTO), earlier this year, on the use of national security for trade actions—in the context of the Russia-Ukraine dispute—was somewhat ambiguous. While clarifying that it is empowered to review such actions, it also specified that countries are best judges of circumstances pertaining to national security. Thus, while South Korea may complain against Japan at the WTO, the possibility of obtaining an effective response is limited.

There are further reports of South Korea looking to retaliate by removing Japan from its own 'White List' of trusted trade partners. It might also withdraw from a military intelligence sharing arrangement it has with Japan, in connection with both the countries' maintenance of American military bases.

The Japan-South Korea trade conflict demonstrates the increasing lack of 'trust' amongst countries in world trade. The White Lists maintained by both the countries enable extension of preferences to others primarily on the basis of 'trust' that sensitive exports won't be diverted to unsanctioned uses. Once trust dissolves, and is replaced by cynical scrutiny, trade relations no longer remain the same. For Japan and Korea, trade was a way of overcoming the misgivings and lack of trust produced by history. Unfortunately, the same history has come back to haunt trade relations, and is looking set to create irreparable damage.

There are multiple implications of the Japan-South Korea trade war. The first of these is the inevitable adverse impact on the functioning of global supply chains embedded out of Japan and South Korea. Functioning of several of these would be adversely affected by export controls and tighter retaliation. The second impact is on regional and global trade prospects, which would have to brace for further contraction and slowdown. The third, and probably much less noticed impact, is on the prospects of the ongoing trade negotiations, most notably the Regional Comprehensive Economic Partnership (RCEP). The RCEP is at a greatly advanced stage, and the Japan-South Korea trade spat at this juncture is particularly bad news. Both the countries are important actors in the RCEP process. A trust deficit between the two might have the 'herd' effect of spilling on to the rest of the group. In one respect, though, India should be enjoying a quiet laugh at the development: for once, at least, the region would find it difficult to label it the 'spoiler' at the RCEP. Having said that, it is a clear that trade wars are here to stay, and more such skirmishes might be in the offing. Future trade negotiations need to prepare for such wars.

Solar case against US: India appeals against certain parts of rulings by WTO dispute panel

The Economic Times

New Delhi, August 16, 2019: India is challenging certain parts of rulings given by the WTO's dispute settlement panel on a solar case against the US, according to a communication by the World Trade Organization. Though India has won this case against the US as most of the ruling is in favour of India, New Delhi has challenged certain issues of law and legal interpretation covered in the panel's report or ruling.

"India hereby notifies the dispute settlement body (DSB) of its decision to appeal to the appellate body certain issues of law and legal interpretation covered in the panel report entitled US - Certain Measures Relating to the Renewable Energy Sector which was circulated on 27 June 2019," the communication by India to WTO said.

India has stated that it appeals and requests the appellate body to reverse the findings and conclusions of the panel with respect to the errors of law and legal interpretations contained in the report related to certain areas.

"The panel erred in holding that India did not make a prima facie case that the Minnesota solar thermal rebate under measure 10 had ongoing effects, and therefore, constituted a matter before the panel that required examination in order to provide a positive solution to the dispute," it added.

In June this year, a WTO dispute resolution panel ruled in favour of India in a case against the US saying that America's domestic content requirements and subsidies provided by eight of its states in the renewable energy or the solar sector are violative of global trade norms.

The US has also challenged this ruling in the WTO's Appellate Body, which is above the dispute settlement panel.

In September 2016, India had dragged the US to the WTO's dispute settlement mechanism over the issue.

Washington, California, Montana, Massachusetts, Connecticut, Michigan, Delaware and Minnesota were the eight states providing subsidies.

India had stated that the measures are inconsistent with global trade norms because they provide less favourable treatment to imported products than domestic products, and because the subsidies are contingent on the use of domestic over imported goods.

Parties to a dispute can appeal a panel's ruling. Appeals have to be based on points of law, such as legal interpretation -- they cannot re-open factual findings made by the panel.

Each appeal is heard by three members of an Appellate Body, comprising persons of recognised authority and unaffiliated with any government.

Each member of the appellate body is appointed for a fixed term. Generally, the Appellate Body has up to 3 months to conclude its report.

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

Government plans to make BIS hallmarking mandatory for gold jewellery

The Economic Times

August 23, 2019, Kolkatta: The government has revived its plans to make Bureau of Indian Standards hallmarking mandatory for gold jewellery as only 10% of about 300,000 jewellers in the country have registered themselves with BIS so far.

The Centre plans to notify the new regulation in the World Trade Organisation (WTO) in a week's time, said Anantha Padmanabhan, chairman, All India Gems & Jewellery Domestic Council.

Being a signatory to WTO, India is required to notify the trade body before introducing any mandatory regulation, said Padmanabhan who recently had an interaction with BIS director general Surina Rajan.

Harshad Ajmera, president of Indian Association of Hallmarking Centres (IAHC), said the estimated 270,000 jewellers who have not taken the hallmarking licence from BIS account for 50% of the total gold jewellery production in the country.

In the last fiscal, 44.9 million pieces of jewellery containing 450-500 tonnes of gold were hallmarked, he said. "However, in the current financial year the hallmark turnover may be less because sales have dwindled due to an increase of import duty on gold," Ajmera said.

Padmanabhan said jewellery demand has come down 10% year on year since April till date due to high price of gold.

There are many licensed or unlicensed hallmarking centres that do not follow best practices. Hence the need to set a standard of purity for maintaining uniformity and to ensure quality.

BIS has roped in Indian Institute of Technology Bombay to help digitise the hallmarking process, officials said. The two have signed a memorandum of understanding whereby IIT Bombay would provide digital technology olutions for hallmarking. Digitisation of hallmarking will happen in the next one year and will increase consumer confidence, they said.

The new Bureau of Indian Standards Act, 2016 had provisions to make hallmarking mandatory. Now the government is set to get it done.

BIS is looking to make it less difficult for jewellers to adopt standard hallmarking, officials said.

“Even if hallmarking is made mandatory, the process will be gradual and jewellers will be given time to adjust to the process,” said Padmanabhan.

At present, 14 karat, 18 karat and 22 karat gold jewellery are required to be hallmarked.

A karat is a measurement indicating the proportion of gold in an alloy out of 24 parts, so 18 karat gold is 18/24 parts gold.

BIS has now received demand for introducing hallmarking for 20 karat and 23 karat gold, officials said.

BIS is also looking to standardise display made by jewellers so as to reduce corruptive claims.

Commerce ministry to soon come out with new foreign trade policy

The Economic Times

August 22, 2019, New Delhi: The commerce ministry will soon come out with a new foreign trade policy, which provides guideline and incentives for increasing exports, for the next five financial years 2020-25, an official said. The ministry is giving final touches to the new policy as the validity for the old one will end on March 31, 2020.

"We have taken views of all stakeholders. The new policy is likely to be announced by September-end or early-October," the official said.

The new policy would focus on simplifying procedures for exporters and importers besides providing incentives to boost outbound shipments.

The ministry's arm directorate general of foreign trade (DGFT) is formulating the policy.

At present, tax benefits are provided under merchandise export from India scheme (MEIS) for goods and services export from India scheme (SEIS).

In the new policy, changes are expected in the incentives given to goods as the current export promotion schemes are challenged by the US in the dispute resolution mechanism of the World Trade Organisation (WTO).

In this backdrop, the government is recasting the incentives to make them compliant with global trade rules, being formulated by Geneva-based WTO, a 164 member Geneva-based multilateral body.

The commerce ministry has also floated a cabinet note for a new export incentives scheme -- Rebate of State and Central Taxes and Levies (RoSCTL) -- that would be compliant with the WTO norms.

The RoSCTL scheme is available for exports of garments and made-ups. It would now be proposed to extend it to all exports in a phased manner.

The new scheme would replace the existing MEIS, which was challenged by the US last year in the WTO. It would ensure refund of all un-rebated central and state levies and taxes imposed on inputs that are consumed in exports f all sectors.

Major un-rebated levies are - state VAT/ central excise duty on fuel used in transportation, captive power, farm sector; mandi tax; duty of electricity; stamp duty on export documents, purchases from unregistered dealers; embedded CGST and compensation cess coal used in the production of electricity.

Exporters are demanding incentives based on research and development, and product-specific clusters under the new policy.

Ludhiana-based Hand Tools Association President S C Ralhan said the new policy should have provisions for refund of indirect taxes like on oil and power, and state levies such as mandi tax.

"Sectors like engineering should be promoted as they create huge number of jobs. There should be relaxation for obtaining licence under Export Promotion Capital Goods for modernisation of industry," Ralhan said.

Assistant Professor and expert on agriculture economics Chirala Shankar Rao has said the policy should look at ways to promote agri exports as it holds huge opportunities.

During April-July 2019-20, the country's exports dipped 0.37 per cent to USD 107.41 billion.

Since 2011-12, India's exports have been hovering at around USD 300 billion. During 2018-19, overseas shipments grew 9 per cent to USD 331 billion.

The government is targeting to increase the exports to USD one trillion in the coming years.

Boosting growth in a protectionist world

G Parthasarathy, Business Line

August 22, 2019: The advent of the twenty-first century marked the turning point in India’s economic growth. The end of US and western sanctions, imposed after our nuclear tests in 1998, led to an economic boom, in the first decade of the 21st century.

This economic boom was triggered by the economic liberalisation ushered in by Prime Minister Narasimha Rao. The Indian economy experienced an over 9 per cent rate of growth, during three consecutive years, of 9.48 per cent in 2005-06, 9.57 per cent in 2006-07 and 9.32 per cent in 2007-08. The rate of growth, thereafter, reached 8.59 per cent in 2009-10.

The rates of growth in India have, however, been lower in the present decade, varying between 6.7 per cent and 7.4 per cent, with an unusual fall to a mere 3.2 per cent, in 2013. While these rates of growth are relatively high by global standards, they do not match the levels China continuously achieved for over two decades, when Deng Xiao Ping's reforms began paying rich dividends.

The growth in India's global merchandise trade during the first decade of the present century far exceeded the country's domestic growth figures. Merchandise exports expanded significantly, rising from $44.2 billion in 2001-02 to $306 billion in 2011-12.

The same cannot be said of our exports of goods in the second decade of the century.

Merchandise exports have remained almost stagnant in this period, at around $300 billion annually, while our annual imports have now gone past $500 billion.

India's service exports, spearheaded by information technology, however, rose from $137 billion in 2011-12 to $205 billion in 2018-19. But, continually high deficits in world trade of goods and services are neither desirable, nor sustainable.

Ambitious goal

Prime Minister Modi has set the country an ambitious goal of building a $5 trillion economy by 2025. This will necessitate an economic growth of well over 8 per cent per annum — a target we have achieved for a few years, during the past two decades.

Modi recently alluded to initiatives to boost the capital of public sector banks, promote productivity and exports of agricultural products, boost industrial production and incentivise the services sector, while fostering the ease of doing business.

He expressed understanding of concerns of the business community and assured that honest taxpayers would not be harassed. Foreign investors, however, note that setting up new industries in India is a daunting and often frustrating task. Some State Governments, however, recognise the need to be investor-friendly.

Trump effect

The external challenges in promoting trade and industry today are more formidable than what prevailed a few years ago. Globalisation is now virtually a swear word in the US and parts of the EU, where industries unable to face foreign competition, especially from China, are crying foul. India is losing its competitive edge in traditional industries like textiles, to countries like Bangladesh and Vietnam.

President Trump's protectionist policies have hurt America's friends, allies and foes alike. His moves against globalisation, commenced as soon as he assumed office, by US withdrawal from participation in the Trans-Pacific Partnership. This grouping linked major economies across the Asia-Pacific, from the US, Canada and Mexico, to Australia, Japan and members of ASEAN.

He then unilaterally raised protectionist walls against major partners including Canada, Mexico, China, Japan and South Korea.

The US has also clamped additional duties on a wide range of products from allies, ranging from Germany and France, to Japan and South Korea. The most wide-ranging US Trade sanctions have been imposed on China, though Chinese business and trade practices have not exactly been ethical. China had a massive trade surplus with the US, of $420 billion last year.

Trump's actions have triggered the biggest trade war in contemporary history, with China retaliating on some US exports, with little, or no impact. While the US trade deficit has reduced after the imposition of trade sanctions, China is already feeling the impact of these sanctions on its economic growth.

While the US and China could well reach an agreement, in the course of time, this trade dispute has global repercussions. India, like many others, has itself been hit hard by enhanced American duties on a range of products like aluminium and steel, and measures to end of trade preferences, it enjoyed as a developing country. India has retaliated, with its own sanctions on a number of US products. Trump has indicated that like China, India will get no benefits available traditionally to developing countries.

New Delhi also recognises that its own trade practices are now seen as being excessively protectionist, with a large number of countries prepared to seek remedial measures, by reference to the WTO. Negotiations have commenced with the US, which remains concerned by existing and new Indian protectionist tariffs/restrictions, on items like medical devices, apart from electronics and telecom products.

There is obviously going to be serious bargaining ahead, before we can conclude a satisfactory trade agreement with the US. India must, however, realise that it cannot become a significant, modern economic power unless it develops a vibrant electronics industry, with an indigenous capability for research and development and a substantial manufacturing capability to produce crucial items like semi-conductors and computer chips.

'Act East' policy

India's "Act East" policies have included Free Trade Agreements with ASEAN, Japan and South Korea. These agreements have brought us trade benefits, as our regional partners have made good use of them. We need to significantly improve our use of these arrangements.

We face difficult choices in dealing with negotiations, now under way, for an Indo-Pacific economic community, labelled as the “Regional Comprehensive Economic Partnership” (RCEP), which includes ASEAN members, together with Japan, China, South Korea, New Zealand and Australia.

There are understandably serious misgivings about joining the RCEP, given our concerns about China’s trade practices and our huge trade deficit with Beijing. These challenges have to be faced and overcome, while moving ahead in building the $5 trillion economy that Prime Minister Modi envisages by 2025.

With enthusiasm for post Cold War style “globalisation” declining in Europe and the US, India now faces serious choices it has to make, given the security and diplomatic challenges it faces, from an increasingly assertive China.

While Chinese military and economic power can be balanced by partnerships with like-minded countries like Japan, Vietnam and Indonesia, India will have little leverage left with its “Act East” partners, if its economy lacks the strength and competitiveness, enabling it to become a significant economic partner, in the Indo-Pacific region.