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**India looks forward to balanced RCEP trade pact: Commerce Secretary Rita Teaotia**

Financial Express

New Delhi, May 30, 2018 : India will endeavour to have a “balanced” RECP trade agreement as it would cover 40 per cent of the global GDP and over 42 per cent of the world’s population, a top government official said today. The Regional Comprehensive Economic Partnership (RCEP), negotiations for which started in November 2012, aims to cover goods, services, investments, economic and technical cooperation, competition and intellectual property rights. The RCEP bloc comprises 10 Asean members (Brunei, Cambodia, Indonesia, Malaysia, Myanmar, Singapore, Thailand, the Philippines, Laos and Vietnam) and their six FTA partners – India, China, Japan, South Korea, Australia and New Zealand.

“This is perhaps the most ambitious agreement we are doing. It encompasses about 40 per cent of global GDP and over 42 per cent of the world’s population. So it’s a huge significant bloc. It is not an easy one. There will be ramifications, nevertheless it is important because of our geographical connect and our natural complementarities,” Commerce Secretary Rita Teaotia said. She was addressing a seminar in PHD Chamber of free trade agreements. She said that RCEP is a very active agreement and it is part of India’s Act East policy. There are risks in this because India has huge adverse balance of trade with China, Japan, South Korea and Asean, she said adding, “We have to be mindful of the fact that it has to be a balanced agreement.”

So far, 22 rounds of negotiations have concluded besides five minister-level meets. Further, the secretary said that services sector is an important component of the pact. “…With Asean, we have negative balances of services and goods trade. So it is not like that by negotiating services, there is some great lollipop which will fall into the lap of India. No, it would not happen,” Teaotia said. India’s trade deficit with China stood at USD 63.12 billion in 2017-18. India wants certain deviations for such countries.

Under deviations, India may propose a longer duration for either reduction or elimination of import duties for such countries. India already has a free trade pact with Association of South East Asian Nations (ASEAN), Japan and South Korea. It is also negotiating a similar agreement with Australia and New Zealand but has no such plans for China.

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**Chinese officials to visit India to discuss RCEP issues, says Suresh Prabhu**

Financial Express

New Delhi, May 30, 2018 : Chinese officials will visit India soon to hold bilateral discussions on the issues hampering the negotiations of the proposed mega free trade deal — Regional Comprehensive Economic Partnership (RCEP), Commerce and Industry Minister Suresh Prabhu said. The pact, negotiations for which started in Cambodian capital Phnom Penh in November 2012, aims to cover goods, services, investments, economic and technical cooperation, competition and intellectual property rights. “Chinese official delegation will be coming here for RCEP only. We have invited them for RCEP,” Prabhu told PTI.

The RCEP bloc comprises 10 Asean members (Brunei, Cambodia, Indonesia, Malaysia, Myanmar, Singapore, Thailand, the Philippines, Laos and Vietnam) and their six FTA partners – India, China, Japan, South Korea, Australia and New Zealand. The meeting with Chinese officials would be crucial as Indian industry and exporters are apprehensive about the presence of China in the grouping. They have stated that lowering or eliminating duties for China may flood Indian markets with Chinese goods.

India’s trade deficit with China stood at USD 63.12 billion in 2017-18. India wants certain deviations for such countries. Under deviations, India may propose a longer duration for either reduction or elimination of import duties for such countries. Pressure is also mounting on India for early conclusion of the proposed trade pact.

Prabhu said that during his recent visit to Cambodia, Prime Minister of Cambodia Hun Sen expressed his keenness for early conclusion of RCEP talks. “I explained to him that we have certain issues with China. So we are talking to them bilaterally about the RCEP issues as well as with Australia and New Zealand where “we have concerns about agriculture because we want to make sure that agri imports should not happen through RCEP so that our farmers should not get affected. We explained these two things,” he added.

When asked about the apprehensions and concerns raised by experts and industry on the agreement, Prabhu said the ministry is collecting feedback from all ministries and other stakeholders for preparing their positions. About mounting pressure for conclusion talks, he said it is a comprehensive economic partnership agreement and that means inclusion of services sector.

Member countries are looking to conclude the talks by end of this year but a lot of issues are yet to be finalised including the number of products over which duties will be eliminated. Domestic steel and other metal industries wants these sectors to be kept out of the deal. Under services, India wants greater market access for its professionals in the proposed agreement.

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

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**How long can India sustain ad hoc agri-trade policies? Stability is essential**

Sanjay Kaul, Business Standard

May 29, 2018 : Agri-exports constitute a significant share of India exports with foreign exchange earnings at $30 billion annually. There is potential to double this revenue in the next five years. At the same time, there are opportunities to contain the cost of agri-imports where India has a chronic deficit. A major obstacle to widening our trade volumes has been the uncertain and frequent oscillations in country's agri-trade policy between restrictions and bans on one side and unfettered free trade on the other. Such oscillations have bred uncertainty and dented India's image as a reliable trade partner in the international market.

The instruments used for effecting changes include import duties, minimum export prices, imposition/lifting of export bans, etc. This has led to instability in the investment policy framework in the agro-processing industry, misaligned Indian prices from international prices and led to cropping distortions. Such *ad hoc*-ism, which is the antithesis of creation of a competitive environment, is unsustainable and has caused a heavy burden on the country.

Distorted Minimum Support Prices (MSPs) that are much higher than international prices have further played their role in price divergence, which has *inter alia* stripped the country off its export competitiveness in a host of agri-commodities. Recently, US has alleged that India's MSP for wheat and rice far exceeded its allowable levels of trade distorting domestic support as per WTO norms (which require the trade distorting support to be capped at 10 per cent of total output). Though India has refuted the claim, the role of MSPs in distorting Indian prices vis-à-vis global prices, can be no longer ignored.

For example, Russia, a major wheat exporter is offering wheat at a FOB (free-on-board) price of ₹1,350/qtl, while Indian wheat prices are hovering near the support price of ₹1,735/qtl. Similarly, despite a pile up of stocks of a pulse like tur, India is unable to export because of disparity. Myanmar is offering Tur at a FOB price ₹2,500/qtl, while Indian Tur prices are ruling ₹3,800/qtl with MSP fixed much higher at ₹5,450/qtl.

India’s WTO bound tariff levels are much higher than the applied rates for many agricultural products, like wheat, edible oils and sugar, implicitly taxing the consumers in the process who need never be subsidised. Due to India’s protectionist policy stance on different occasions, developed nations have often delayed Free Trade Agreement (FTA) negotiations with it.

On the other hand, policies with a pro-consumer bias implicitly tax producers by placing export restrictions on different commodities. India’s restrictive trade policies have prevented exporters from taking advantage of available export opportunities. These policy biases have resulted in ad hoc, reactive policy making and frequent flip flops leading to adverse consequences in the medium to long run.

Pulses, which has recently seen a lot of action on the trade front clearly illustrates the inconsistent trade policy making. India signed a long-term MoU with Mozambique for pulses import in July 2016 when prices were on the rise. Barely a year later, India imposed Quantitative Restrictions on import of pulses which inflicted huge losses on small holders who cultivated pulses solely for meeting Indian demand. More recently, the import duty on Chana was hiked from 30 per cent to 40 per cent & from 40 per cent to 60 per cent in a span of less than a month. However, this along with lifting the decade long export ban and export incentive failed to revive the pulses export due to the long period of the ban which has led to loss of overseas market for India.

And, despite all the measures, prices of various pulses continue to rule well below MSP!

Similarly, in the case of sugar, 20 per cent import duty slapped in June 2016 to check rising prices was scrapped less than a year later in March 2018, a minimum indicative export quota of 2 million tonnes was mandated and further the cane farmers were subsidised to help mills clear arrears. Despite all these measures, Indian sugar prices are reeling under pressure and yet India has not been able to export as global prices are lower. International sugar futures are trading at around ₹2,120/qtl against the Indian prices of around ₹2,670/qtl. The import duty on wheat has also been subject to frequent policy changes.

A predictive and stable policy regime is the need of the hour. The government needs to phase out biases from its agri-trade policy making and acknowledge the fact that global prices will eventually be transmitted into the domestic boundaries! Trade restrictions may defer the process, but domestic and global price will converge in the long run, and India has to be ready to face this challenge.

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**Farm subsidies: the coming fight at the WTO**

Live Mint

May 23, 2018 : In an attempt to combat rural distress, the Union budget announced this year by finance minister Arun Jaitley promised a new deal to farmers—minimum support prices (MSP) that would be 150% of the cost of production.

The government is expected to announce the first set of support prices under the new policy in the coming weeks, just before the *kharif* sowing season begins. The second phase, to be rolled out in October, would ensure that MSP benefits the farmers of 23 notified crops. The details are being worked out by NITI Aayog.

However, the new MSP policy could pull India into a confrontation at the World Trade Organization (WTO). Higher MSPs will likely make Indian farm subsidies breach the limit that the WTO finds acceptable. The Narendra Modi government should roll up its sleeves to fight back, especially given the recent face-off between India and the US over farm subsidies.

After taking on China, US President Donald Trump seems to be shifting some of his attention to India. The US has announced that it will be dragging India to the WTO because it claims India has under-reported the market price support (MPS) for rice and wheat. According to the US, the MPS for wheat and rice, respectively, appears to be over 60% and 70% of the total value of production, against the permissible cut-off of 10%. India is planning to officially respond at the WTO's committee on agriculture meeting in June.

India needs to question the foundation of the entire subsidy regime defined by the WTO. The relevant question is not how much support a government can provide to farmers to avoid distorting trade. It is how much it should provide to feed a country that is home to a fourth of the world's hungry population.

Also, small farmers and poor consumers in developing countries are the most vulnerable to volatile price movements in commodity markets. The Union government needs to begin making its case by questioning the way WTO calculates subsidies, as well as the way the rich countries support their farmers. For example, for the purpose of calculating current subsidies, the WTO uses the average of 1986-88 global prices as the base. Therefore, the difference between the ongoing MSP and these reference prices looks too high.

India, along with other developing countries, should make persistent efforts to fight the way WTO rules have been rigged to suit the developed countries. Last year, before the 11th ministerial committee meeting of WTO at Buenos Aires, India and China jointly submitted a paper, *Elimination Of AMS To Reduce Distortions In Global Agricultural Trade*, to the WTO. The paper highlighted the subsidies that developed countries dole out to their farmers. The six industrialized nations are entitled to an overall cap for their farm subsidy called aggregate measurement of support (AMS), which entails subsidy up to 10%

of the value of total production. This gives them an opportunity to manipulate the subsidies for individual products. For instance, product-specific support in the US and the European Union crosses over 50% for a number of crops and reaches as high as 89% for rice in the US. Developing countries, on the other hand, are trapped with a product-specific *de minimis* limit of 10%—for no crop can the AMS be higher than 10% of its value of production.

Interestingly, as noted by *Mint* columnist D. Ravi Kanth in November 2015 ,the US hands over about an average of $50,000 to every farmer, while India gives only around $200 per farmer. According to *Scientific American*, the agricultural subsidies support given to grain producers by the US government is insane enough to fuel obesity in the country. The European Union's common agriculture policy takes up 40% of its budget.

The US has also launched a case against India's export promotion schemes. These schemes—market access initiative (MAI), market development assistance (MDA) and merchandise exports from India scheme (Meis)—are primarily aimed at promoting better export-oriented infrastructure facilities, capacity building, and export competitiveness. They also assist exporters of agriculture and processed food products, thereby indirectly benefitting small and marginal farmers. These schemes are, therefore, critical in keeping agriculture remunerative in India and hence are worth defending at the WTO.

Therefore, India needs to make it clear at the WTO that it needs to stand by its poor at this stage of development, and that trade law should not meddle with the fight against poverty and hunger.

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**WTO to set up dispute panel on India-US case on export subsidies**

Financial Express

New Delhi, May 30, 2018 : The World Trade Organisation's (WTO) dispute settlement body has agreed to set up a panel to examine America's allegations against certain alleged export subsidy measures in India. Last month, the US dragged India to the WTO's dispute settlement mechanism over export subsidies, saying that these incentives were harming the American companies. "At its meeting on 28 May, the WTO's Dispute Settlement Body agreed to a request from the United States for the establishment of a dispute panel to examine certain alleged export subsidy measures in India," the WTO said in a statement.

The US has stated that all WTO members, including India, are required to provide subsidies consistent with provisions of the WTO's Agreement on Subsidies and Countervailing Measures, including refraining from providing subsidies contingent upon export performance. The US has alleged that India appears to be providing such subsidies through various export promotion programmes, special economic zones and duty-free imports for the exporters' programme. During consultation process, the US has alleged that India was continuing to grant these export-contingent subsidies and even expanded the scope and scale of the subsidies.

India has said that it was disappointed that the US chose to move forward with a request for a panel, as it believed bilateral consultations held on April 11 were constructive. During the consultations, India provided a detailed understanding of the schemes implemented under its Foreign Trade Policy by answering all the questions raised by the US.

India has stated the schemes identified by the US do not violate India's WTO obligations and are in conformity with all the elements of the agreement. India's exports to the US stood at USD 42.21 billion in 2016-17, while imports aggregated at USD 22.30 billion during the same fiscal.

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**India hits back! Launches complaints against Trump's tariffs on steel, aluminium at WTO**

Financial Express

May 23, 2018 : Months after US President Donald Trump hiked import tariffs on steel and aluminium, which are likely to indirectly hurt a lot of companies back home, India launched a complaint against the decision at World Trade Organisation, Reuters reported. India's decision to open a WTO dispute also came nearly two months after the United States challenged Indian export subsidies at the trade forum.

India has also told the WTO that it proposing to raise duties by up to 100% on 20 products such as almonds, apple and specific motorcycles imported from the US from next month if Washington does not roll back high tariffs on certain steel and aluminium items.

In March this year, Donald Trump signed an executive order that provided for imposing import tariffs of 25% on steel and 10% on aluminium. The decision had triggered the fears of a trade war between the US and China. While Indian companies are not directly hit by the tariffs, they are expected to become collateral damages.

Steel and aluminium exports by Indian companies to the US are as low as 2% and 6% respectively. "However, the impact could percolate through lower international prices due to excess supply from exporting countries while also leading to lower exports," a report by India Ratings and Research said.

Though Indian steel imports would be restricted to specialised products not manufactured in India, a situation of cheap availability of imports may prove as a double whammy, especially against the backdrop of a growing domestic demand of steel, the report added.

India primarily exports steel to Italy, the UAE and South East Asian countries. With export markets becoming more competitive, domestic steel companies may not only lose their market share in the exporting regions but also see the export value declining due to lower global prices of steel and aluminium.

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**India drags US to WTO over levy of additional duties on steel, aluminium**

D. Ravi Kant, Live Mint

Geneva, May 24, 2018 : As the Trump administration threatened to take unilateral crowbar trade actions against auto and automotive parts manufacturing countries, India has dragged the US to the World Trade Organization (WTO) over Washington's controversial additional duties on import of steel and aluminium.

Late on Wednesday evening, US President Donald Trump pressed ahead with alleged unilateral trade actions by ordering investigations into imports of autos, trucks and auto parts, under the Section 232 provisions, which deals with the country's national security.

Despite growing concerns over the earlier additional duties of 25% and 10% on steel and aluminium, respectively, under the controversial Section 232 provisions, the Trump administration decided to investigate whether "core industries, such as automobiles and automotive parts, [which] are critical to our strength as a Nation" are being undermined by imports.

According to a 24 May report in *Washington Trade Daily*, "the investigation will determine whether imports of automobiles, including SUVs, vans and light trucks, and automotive parts into the United States threaten to impair national security as defined in Section 232".

If the findings of the investigation into autos and auto parts are in line with Trump administration's views, the US could slap additional duties of 25% on autos and automotive parts. India which is a major supplier of auto parts.

"There is evidence suggesting that, for decades, imports from abroad have eroded our domestic auto industry," US Commerce Secretary Wilbur Ross said in a statement issued on 23 May. "The Department of Commerce will conduct a thorough, fair and transparent investigation into whether such imports are weakening our internal economy and may impair national security."

The commerce department maintained that imports of vehicles increased by 32 per cent over the past 20 years, while employment during 1990 and 2017 declined by 22 per cent.

"The investigations will consider whether the decline of domestic automobile and automotive parts production threatens to weaken the international economy of the United States, including by potentially reducing research, development and jobs for skilled workers in connected vehicle systems, autonomous vehicles, fuel cells, electric motors and storage, advanced manufacturing processes and other cutting-edge technologies," the WTD said.

Clearly, Section 232 seems to have been weaponised for ensuring support of American workers in key states ahead of the mid-term elections to the US Congress "If they [the US] were to go ahead with such wide-ranging trade restrictions, it would throw the global market into confusion," said Hiroshige Seko, Japan's minister of economy, trade and industry. "There could be a negative effect on the WTO multilateral trading system. It is extremely regrettable."

In a separate development, India launched dispute settlement proceedings against the US at the WTO on 18 May. New Delhi argued that Washington's controversial additional duties for adjusting the imports of steel and aluminium violated global trade rules, especially the safeguards agreement.

In an Article 4 request filed with the chairperson of the disputes settlement body, India said the decision of the US to impose 25% and 10% additional duty on certain steel and aluminium products from all countries barring Canada, Mexico, Australia, Argentina, South Korea, Brazil and the European Union, from 23 March, violated core WTO rules.

According to India, the US measures on steel and aluminium based on Section 232 security provisions violated core provisions in several WTO agreements.

The US will need to enter into consultations with India in the next 60 days to address specific issues raised in the complaint. India could call for establishing a panel if the two sides fail to reach an amicable agreement.

The US also called for a disputes settlement panel to adjudicate over India's alleged export subsidy schemes for various sectors in violation with global subsidy rules.

In a compliant filed with the disputes settlement body on May 17, the US said the consultations with India on April 11 had failed to resolve the concerns raised by Washington. Consequently, the US said it is compelled to seek the establishment of a panel to adjudicate India's various export subsidy schemes that are allegedly inconsistent with global trade rules.

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**China slams surprise US trade announcement, says ready to fight**

Financial Express

Shanghai, May 30, 2018 : China on Wednesday lashed out at Washington's unexpected statement that it will press ahead with tariffs and restrictions on investments by Chinese companies, saying Beijing was ready to fight back if Washington was looking to ignite a trade war. The United States said on Tuesday that it still held the threat of imposing tariffs on $50 billion of imports from China and would use it unless Beijing addressed the issue of theft of American intellectual property.

The declaration came after the two sides had agreed earlier this month to look at steps to narrow China's $375 billion trade surplus with America, and days ahead of a visit to Beijing by U.S. Commerce Secretary Wilbur Ross for further negotiations. William Zarit, chairman of the American Chamber of Commerce in China, said Washington's threat of tariffs appeared to have been "somewhat effective" thus far. "I don't think it is only a tactic, personally," he told reporters on Wednesday, adding that the group does not view tariffs as the best way to address the trade frictions.

"The thinking became that if the U.S. doesn't have any leverage and there is no pressure on our Chinese friends, then we will not have serious negotiations." China's Commerce Ministry reacted swiftly overnight with a short statement, saying it was surprised and saw it as contrary to the consensus both sides had reached recently.

The Global Times said the United States was suffering from a "delusion" and warned that the "trade renege could leave Washington dancing with itself". The widely read tabloid is run by the Communist Party's official People's Daily, although its stance does not necessarily reflect Chinese government policy. "The Chinese government will have the necessary measures in place to deal with a U.S.

withdrawal from any settled agreement. If the U.S. wants to play games, then China would be more than willing to play along and do so until the very end," it said.

## ZTE AND QUALCOMM

Fears of a trade war between the world's two biggest economies had also receded after the administration of President Donald Trump said it had reached a deal that would put ZTE Corp back in business after banning China's second-biggest telecoms equipment maker from buying U.S. technology parts. Still hanging in the balance, however, is San Diego-based Qualcomm Inc's proposal to acquire NXP Semiconductors NV – a $44 billion deal that requires clearance from China's antitrust regulators. The recent easing in tensions had fuelled optimism that an agreement was imminent.

"On hold now," a person familiar with Qualcomm's talks with the Chinese government said on Wednesday, declining to be identified as the negotiations are confidential. "Trump is crazy. Crazy tactics might work, though," the person added.

State news agency Xinhua said China hoped that the United States would not act impulsively but stood ready to fight to protect its own interests. "China's attitude, as always, is: we do not want to fight, but we are also not afraid to fight," it said in a commentary. "China will continue to hold pragmatic consultations with the United States' delegation and hope that the United States will act in accordance with the spirit of the joint statement."

## 'INTENSE NEGOTIATIONS'

Commerce Secretary Ross is scheduled to visit Beijing from June 2 to June 4 to try and get China to agree to firm numbers for additional U.S. exports to the country. The deal to reduce China's trade surplus with the U.S. was separate from the U.S. probe into China's alleged theft of intellectual property. A White House official said on Tuesday that the U.S. government plans to shorten the length of visas issued to some Chinese citizens as part of a strategy to prevent intellectual property theft by U.S. rivals.

Citing a document issued by the Trump administration in December, the official said the U.S. government would consider restrictions on visas for science and technology students from some countries.

The China Daily newspaper said the repeated U.S. claim that Beijing had forced foreign firms to transfer their technologies to Chinese businesses was without evidence and was being used as an excuse to facilitate its trade protectionism. It said technology transfers between U.S. companies and their Chinese partners were the result of normal business practices, not coercive policies.

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**Donald Trump calls for new 'structure' for US-China trade deal**

The Indian Express

Washington, May 23, 2018 : US President Donald Trump on Wednesday signaled a new direction in US-China trade talks and said any deal would need "a different structure," fueling uncertainty over current negotiations and sending US stocks lower.

In an early morning post on Twitter, Trump said the current track appeared "too hard to get done" and cited difficulties such as verification, but he gave no other details about what he or his administration was looking for amid ongoing negotiations. Representatives for the White House did not respond to a request for more information about the president's statement. Representatives for China's Foreign Ministry did not immediately respond to a request for comment on Trump's statement.

"Our trade deal with China is moving along nicely, but in the end we will probably have to use a different structure in that this will be too hard to get done and to verify results after completion," Trump wrote in his post. US stocks slipped after his comments, with all three major indexes down less than 1 percent in late morning trading as analysts anticipated a rocky session.

Trump's statement comes amid the negotiations between the world's two largest economies after potential tariffs on both sides raised fears of a trade war, even as some tensions have eased over signs of some possible progress. Both sides claimed victory on Monday and pledged to continue talking after last week's round in Washington produced pledges that China would import more American energy and agricultural commodities, although there were no specifics.

US Commerce Secretary Wilbur Ross was expected to visit China next week to help finalize an agreement. US Treasury Secretary Steven Mnuchin told CNBC on Monday that Ross aimed to negotiate "a framework" that could then turn into "binding agreements … between companies."

Trump on Tuesday, however, told reporters he was not pleased with recent talks, calling them "a start." Any firm deal is likely to take a long time, according to most observers, and US officials have threatened to return to tariffs, which prompted the current standoff, if needed. Trump initially threatened to impose $50 billion in tariffs on Chinese goods, prompting Beijing to retaliate with a levy on US products, particularly agricultural goods. Trump then responded by threatening another $150 billion in tariffs.

Trade talks have also been clouded by separate negotiations over the nuclear weapons program in North Korea, which counts China as its sole major ally.

Trump is seeking to win a major deal with Pyongyang to denuclearize and is eyeing a June 12 summit with North Korean leader Kim Jong Un. On Tuesday, however, Trump raised doubts the meeting would take place as planned, and suggested Kim's recent meetings with Chinese President Xi Jinping had influenced Kim to harden his stance.

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**US levies steel, aluminum tariffs on allies, risks trade war**

The Indian Express

Washington, May 31, 2018 : Washington will impose tariffs on steel and aluminum imports from the European Union, Canada and Mexico from midnight on Thursday, ending months of uncertainty over potential exemptions and sharply escalating the risk of a trade war.

US Commerce Secretary Wilbur Ross told reporters in a telephone briefing that Washington would proceed with plans for a 25 percent tariff on steel and a 10 percent tariff on aluminum imports, although he said the door was still open for negotiations without specifying what measures could be taken.

"We look forward to continued negotiations, both with Canada and Mexico on the one hand, and with the European Commission on the other hand, because there are other issues that we also need to get resolved," Ross said. The tariffs, which have prompted several challenges at the WTO, are aimed at allowing the US steel and aluminum industries to increase their capacity utilization rates above 80 percent for the first time in years.

Worries about a US trade war with the European Union weighed on Wall Street stocks at the open, but shares of US steel and aluminum makers were up strongly.

President Donald Trump's administration has threatened to impose tariffs on car imports, is engaged in negotiations with China to reduce America's yawning trade deficit and has said it will punish Beijing for stealing its technology by imposing tariffs on $50 billion of imports from China.

Ross himself heads to Beijing on Friday where he will attempt to get firm deals to export more US goods in a bid to cut America's $375 billion trade deficit with China.

After months in which it appeared the Trump administration had been backing away from tariffs amid infighting between the president's top economic advisers, Washington has over the past week ramped up its threats on trade.

German magazine Wirtschaftswoche reported on Thursday that Trump had told French President Emmanuel Macron he wanted to stick to his trade policy long enough that Mercedes-Benz cars were no longer cruising through New York. That share prices of BMW, Daimler and Volkswagen.

The Trump administration launched a national security investigation last week into car and truck imports, using the same 1962 law that he has applied to curb incoming steel and aluminum.

France's Finance Minister Bruno Le Maire had met with Ross on Thursday in a bid to end the stand-off over steel and aluminum, a move that ultimately failed to sway the US administration.

"It's entirely up to U.S authorities whether they want to enter into a trade conflict with their biggest partner, Europe," Le Maire told reporters after the meeting.

Europe did not want a trade war, he said, but Washington had to back down from "unjustified, unjustifiable and dangerous tariffs". The European Union would respond with "all necessary measures" if the United States imposed them.

The European Commission, which coordinates trade policy for the 28 EU members, has said the bloc should be permanently exempted from the tariffs since it is an ally and not the cause of steel and aluminum overcapacity.

The EU has threatened to retaliate with tariffs on Harley Davidson motorcycles and bourbon, measures aimed at the political bases of Republican legislators who they wanted to stand up to Trump.

German Chancellor Angela Merkel said the European Union would give a "smart, determined and jointly agreed" response to new US tariffs that she said would break World Trade Organization rules.

EU countries have given broad support to the Commission's plan to set duties on 2.8 billion euros ($3.4 billion) of US exports, including whiskey and motorbikes, if Washington ends the EU tariff exemption. EU exports potentially subject to US duties are worth 6.4 billion euros ($7.5 billion).

However, Economy Minister Peter Altmaier appeared with Le Maire in Paris on Wednesday, pledging a unified line.

"We are prepared to react in a united and clear way whatever the decision of the (US) president," he said.

The Trump administration has given permanent metals tariff exemptions to several countries including Australia, Argentina and South Korea, but in each case set import quotas.

Friday's deadline for exemptions also affects Mexico and Canada, which are in negotiations with the United States on the North American Free Trade Agreement that Trump has said he wants to revamp, or abandon if the talks fail.

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**Donald Trump hits EU, Canada, Mexico with steel, aluminium tariffs**

Andrew Mayeda, Jenny Leonard and Joe Deaux, Bloomberg, Live Mint

Washington, May 31, 2018 : The Trump administration announced it's imposing tariffs on steel and aluminium imported from the European Union, Canada and Mexico, in a move almost certain to trigger retaliation by America's closest allies.

The decision came hours before temporary exemptions were due to elapse at 12:01am in Washington on Friday. The move marks the Trump administration's most aggressive trade action yet against major US trading partners, which had been asking for permanent relief.

US Commerce Secretary Wilbur Ross told reporters on a telephone briefing that a 25% tariff on steel imports and a 10% tariff on aluminium imports from the EU, Canada and Mexico would go into effect at midnight (0400 GMT on Friday) *Reuters* reported.

US Commerce Secretary said there wasn't enough progress in discussions with the EU over trade concessions and Canada and Mexico on rewriting the North American Free Trade Agreement to give them permanent exemptions from the metals tariffs.

"We continue to be quite willing and eager to have further discussions with all of those parties," Ross told reporters on a conference call on Thursday. "We are awaiting their reaction."

Stocks in the US fell as the administration ignored the pleas from business lobbying groups including the US Chamber of Commerce to forego tariffs.

Ross said he's looking forward to "continued negotiations" with Canada, Mexico and EU "because there are other issues" that need to be resolved. There's potential "flexibility" in the future because the president has the power to increase or cut tariffs, remove them, or enact quotas, he said.

Trade war

Fears of a global trade war are mounting as the Trump administration also considers tariffs on US auto imports and duties on $50 billion in Chinese goods. The International Monetary Fund has warned that a wave of protectionist forces are the biggest risk to the global economic outlook.

In imposing the tariffs, President Donald Trump invoked a seldom-used section of a 1960s trade law that allows him to erect trade barriers when imports imperil national security. Trump in March imposed 25 percent duties on imported steel and 10 percent on aluminium, but he gave temporary reprieve to a handful of allies for further talks to take place.

The EU had said it wouldn't make trade concessions to gain a permanent exemption, and vowed to respond firmly to the imposition of tariffs. The 28-member bloc has threatened to complain to the World Trade Organization (WTO) and impose counter-tariffs on €2.8 billion ($3.3 billion) of American imports as soon as 20 June. EU Trade Commissioner Cecilia Malmstrom has said the details of the US decision would guide the EU's response.

Nafta negotiations

Canada and Mexico also rejected the Trump administration's suggestion of linking tariff relief to the outcome of ongoing talks to revamp Nafta.

Canada will respond “appropriately” to any steel and aluminium tariffs, Foreign Minister Chrystia Freeland said on Wednesday, while Mexican Economy Minister Ildefonso Guajardo said earlier this year that retaliation is an option.

Trump imposed the tariffs in March after his US Commerce Department declared that steel and aluminium imports undermine the country’s manufacturing base and threaten national security. The action was mainly targeted at China over accusations of flooding the global market with cut-rate metals and dragging down prices. The Trump administration has said a global tariff is necessary because China is shipping its steel through other nations.

The White House action comes as the Trump administration begins a similar national-security investigation into auto imports, which could lead to tariffs. The probe was seen as an attempt to pressure Mexico and Canada over a Nafta deal. They are the two-biggest suppliers of foreign vehicles to the US.

Nafta negotiations are “taking longer than we had hoped. There is no longer a very precise date when they will be concluded,” Ross said on Thursday.

The steel and aluminium levies and auto-import probe could play well with Trump voters in Rust Belt states in the lead-up to congressional mid-terms in November.

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**Trump concerned about China’s unfair trade practices: White House**

The Indian Express

Washington, May 31, 2018 : US President Donald Trump is concerned about China’s unfair trade practices and striving to stop Beijing from such practices and theft of American intellectual property, the White House said on Thursday. The White House statement came a day after it renewed its threat to place 25 per cent tariffs on USD 50 billion in Chinese goods in retaliation of the latter’s unfair trade practices.

At the same time, US President Donald Trump is having a “good relationship” with his Chinese counterpart Xi Jinping and both are continuing to have conversations when it comes to North Korea. “The President continues to have a good relationship with President Xi, but what he is concerned about is making sure he stops the unfair trade practices that China has engaged in for decades; stopping the intellectual property theft that China has been engaged in; and making sure that we no longer allow China to play on a different playing field than the rest of us," White House Press Secretary Sarah Sanders told reporters at her daily news conference.

She expressed hope that the two leaders will continue to share a good relationship, but added that Trump would not stand for any unfair trade policy. "He's not going to allow American workers to be taken advantage of. He's going to call that out, and he's going to step up and make those changes," she said in response to a question. Congressman Drew Ferguson applauded the Trump administration for their decision to place restrictions on China's acquisition of sensitive American technology.

"We must not allow this country to overtake the United States and become a leading power," Ferguson said. Meanwhile, the Department of Commerce announced the affirmative preliminary determination in the countervailing duty (CVD) investigation of imports of certain plastic decorative ribbon from China, finding that exporters in China received countervailable subsidies ranging from 12.81 per cent to 94.67 per cent.

As such, the Commerce Department will instruct US Customs and Border Protection to collect cash deposits from importers of certain plastic decorative ribbon from China based on these preliminary rates. In 2017, imports of certain plastic decorative ribbon from China were valued at an estimated USD 22.5 million.

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**Delays and 'poison pills': team Trump runs out of road in NAFTA talks**

The Indian Express

Washington, May 29, 2018 : US President Donald Trump is running out of time to deliver a revamp of the North American Free Trade Agreement (NAFTA) he promised for this year and people involved in the talks say the crunch is largely of his administration's own making. Negotiators, industry lobbyists, trade experts and lawmakers briefed on the talks described how precious months passed before the US team presented its proposals and how the talks stalled because the demands far exceeded what Canada and Mexico had expected and Washington signaled no readiness to compromise.

In the end, an unusually tight timetable allowed little space to bridge differences on the core issues, such as US and regional content requirements for the auto industry.

Talks started last August with a goal to conclude in just four months, but as a May 17 notification deadline to allow the current Republican-led US Congress to approve a new agreement before year end passed, US Trade Representative Robert Lighthizer warned a deal was "nowhere near close."

TIME PRESSURE SHIFTS

Up until a few weeks ago, Lighthizer thought Mexico faced the biggest time pressure to wrap up the talks before its July 1 presidential elections, a Mexican source close to the talks told Reuters.

In early May, however, Mexican Economy Minister Ildefonso Guajardo told Lighthizer in Washington that he would be able to negotiate a NAFTA agreement up until the Dec. 1 transition to a new government – even if an opposition candidate won.

Suddenly, it was the United States running against the looming congressional deadline, the Mexican source said.

The Trump administration's negotiating goals submitted to Congress in July 2017 talked of shrinking trade deficits with Mexico and Canada and boosting US auto production.

In contrast, the US neighbors saw the talks more as a "modernization" exercise, proposing, for example, chapters on digital trade that did not exist when NAFTA took effect in 1994.

Broadly, both were fine with the status quo, so when it took Washington two months to present specific demands the delay played into their hands.

"How can you launch talks to update a treaty and then make everyone wait months before you explain what you want," asked one Canadian official briefed on the talks.

Lighthizer's office said he was clear all along about aiming to "rebalance" NAFTA trade in US favor.

"The United States has been very clear and specific from the start about what we hope to see in a new NAFTA and has worked at an unprecedented pace to negotiate a better deal for America," the office's spokesman said.

When Lighthizer's team presented the demands in October, Canadian and Mexican officials said they amounted to surrendering decades of trade benefits, which they could not accept.

US business groups labeled those demands “poison pills” that threatened to derail the talks and prompt Trump to quit the pact. The key ones were: a steep increase in regional automotive content requirements, a demand for half the value of North American vehicles to originate in the United States and a requirement to renegotiate the pact every five years.

All remain unresolved, despite nearly eight weeks of marathon negotiations in Washington in April and May, focused mainly on autos.

Canada and Mexico had their role in running down the clock. It has taken Ottawa and Mexico three months to produce counterproposals, drawing criticism from Lighthizer they were failing to “engage.”

Canadian and Mexican negotiators argued they needed time to understand the logic of US demands because they came without customary backup evidence and analysis. US negotiators said it was the consequence of the extremely tight timetable.

But US chief negotiator John Melle privately complained to US colleagues that Ottawa was deliberately wasting time on less essential matters, such as proposed new chapters on women’s and indigenous people’s rights, a US source close to the talks said. Canadian officials deny trying to drag out negotiations.

Speaking at a business event early this year, Canada’s veteran chief negotiator, Steve Verheul, described the talks as the “most unusual negotiation” he had ever been involved in, because of Washington’s winner-takes-all approach.

“They are looking to strengthen the US and by doing that weaken Canada and Mexico.”

Trump’s threats to quit NAFTA and Washington’s uncompromising stance made some involved in the talks wonder whether its goal was to blow up the pact or improve it.

“My boss thinks 40 percent of Lighthizer wants a deal, 60 percent doesn’t, and you see both Lighthizers, sometimes in the same conversation,” one NAFTA diplomat told Reuters.

Lighthizer frequently told reporters and lawmakers that he was negotiating for “an audience of one,” and it was ultimately Trump’s call whether to accept or reject a deal.

Talks seemed to gain some momentum in early April, when US negotiators toned down their automotive demands – cutting the proposed regional content threshold by 10 percentage points to 75 percent, but with a $16 minimum wage component for 40 percent of autos. Mexico responded with 70 percent and 20 percent, respectively, though Guajardo on Friday still put chances of a deal before July 1 at about 40 percent.

However, with Washington waging trade battles on other fronts it has been hard to sustain that momentum.

For example, when the United States threatened to hit Chinese imports with tariffs because of intellectual property concerns and talks reached a critical phase in late April, a trade mission to Beijing took Lighthizer away from NAFTA for a week.

And last week, his office launched a national security investigation that could lead to tariffs on vehicle and auto parts imports from North America, Europe and Asia. Canadian Prime Minister Justin Trudeau told Reuters on Thursday the move was intended to pressure Canada and Mexico in the NAFTA talks.

Whether they will yield to that pressure is another matter and in the meantime the probe could end tying up Lighthizer's stretched resources.

Even with a deal on autos, it could take time to work out other issues, such as intellectual property safeguards for drugmakers, said former US trade negotiator Wendy Cutler.

"Sometimes there's just not enough time to come up with creative solutions."

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**India, EU and the privacy challenge**

Aaditya Mattoo , Joshua Meltzer, The Indian Express

May 31, 2018 : The free flow of data across borders underpins today's globalised economy. Such flows are growing exponentially and are estimated to have raised world GDP by about 10 per cent over the past decade. India is a major beneficiary. Data flows drive the country's most dynamic exports of digitally-delivered data processing and other business services.

But the international transfer of personal data also raises concerns about the protection of privacy. Earlier this week, the European Union (EU) introduced the world's most legally comprehensive data protection regime, in keeping with its concept of privacy that stems from its own unique history and cultural trajectory.

What does the new EU regulation mean for India? In 2016-17, nearly a quarter of India's IT-enabled exports — ranging from financial accounts and analysis to health transcriptions and diagnostics — went to the EU. Provision of these services often requires the collection of data from EU citizens. The EU regulation makes exporting harder by making data transfers more difficult.

Developing countries like India face a dilemma now. Data transfers to a non-EU country will henceforth be permitted only if the latter enacts a national privacy law equivalent to the EU law. A handful of countries, including Argentina and Uruguay, have already done so. However, a national law imposes the same standard on all firms in the country, even when they sell at home. The risk is that such prematurely stringent privacy laws could hamper the development of domestic markets. For example, by constraining the operation of credit bureaus and other information-sharing mechanisms, such laws could limit access to finance and other services.

Enacting EU-type national privacy legislation would increase the cost of doing business and lead to a loss of competitiveness in other markets. A recent survey suggested that Fortune 500 companies would need to spend $16 million on average to avoid falling foul of the EU regulation. The increased costs would hurt not just access to services at home but also competitiveness in foreign markets where privacy is a less acute concern. When the Philippines drafted tough national privacy legislation to ensure continued access to the EU market, US firms based in that country suspended investment plans because operating costs would increase.

If a country's national law does not pass the EU adequacy test, as happened with India, then its firms are required either to accept corporate rules that bind their operations all over the world, or to use special model contracts for each EU business deal. Both options require firms to ensure levels of data protection that would be offered in the EU. Both also require a data controller or processor, who can be held liable for breach, to be established in an EU member state.

These requirements increase costs and limit the benefits of digital trade, especially for smaller firms. A survey in India of service exporters showed that the EU's earlier data protection regime had a significant impact on India's exports, even though it was less strict. The corporate rule process took over six months and 90 per cent of respondents chose to use model contracts instead, but those too proved complex and time-consuming. Two-thirds of surveyed exporters claimed a significant loss of business opportunities because of data protection concerns.

Can the EU’s legitimate need to protect privacy be fulfilled without hurting a developing country like India? A recent example of cooperation offers a solution. When the EU first enacted its privacy rules, US national laws were deemed inadequate. To safeguard transatlantic data flows, the EU and the US negotiated an agreement that was updated after the Snowden revelations as the “Privacy Shield”. Under this agreement, US firms promise to protect the privacy of European citizens to EU standards in return for unrestricted data flows. The firms’ commitment is monitored and enforced by US institutions, notably the Federal Trade Commission and the Department of Commerce.

This arrangement has created a valuable opening. Under WTO law on services trade, the EU is required to offer other countries an opportunity to negotiate comparable arrangements. India must take advantage of this opportunity, while strengthening its case for recognition by creating credible assessment institutions.

Such an arrangement would have big advantages over existing options. First, Indian firms serving the EU market would not be required to establish a presence in the EU or accept rules and contracts that are costly and time-consuming. The assessment of conformity with EU standards would take place at home by domestic regulators.

Second, India would not need to pass a national privacy law whose stringency is determined by foreign norms. It would be free to create domestic standards to meet domestic needs, while following foreign standards for specific export markets. It would thus avoid a conflict between two vital development goals — preserving access to foreign services markets for its exporters and improving access to services for its citizens.

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